

# Poverty policy paper



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Prior to the Industrial Revolution, America was an agricultural nation; Americans relied on family farming, marriages and relatives for financial means and security. The Great Depression generated nationwide misery. The Stock Market Crash Of 1929 signaled the beginning Of the Great Depression.

Bank failures soon followed and the unemployment and poverty rate reached an all time high. Between 1933 and 1940, President Franklin D. Roosevelt recognized the necessity of government assistance during tough times.

He created the First and the Second New Deals in response to this economic disaster in order to battle poverty. These efforts sought to save the economy and alleviate those impacted by the worst of the Great Depression.

Roosevelt appointed a Committee on Economic Security to assess the damages and construct a plan to help those most in need.

The Social Security Act, part of Roosevelt' Second New Deal, was officially signed into law on August 14th, 1935.

Social Security includes the “ Old Age and Survivors Insurance” and the “ Disability Insurance” programs. The Supplementary Income program offers benefits for elderly, blind, and disabled persons, disregarding prior employment; it is not financed by Social Security taxes. Intention Social Security is the foundation of economic security for countless Americans. Initially, the Social Security Act was created in order to provide relief and security (ultimately a safety net) for the citizens suffering from the Great Depression (Weaver & Martin, 2005).

It is an intergenerational contract whereby current workers contribute money to the system through their taxes, which directly pays for the services for those who no longer work and may be indigent.

Old age, disability, and unemployment insurance are included in the Social Security program (Weaver & Martin, 2005). Specifically, the federal program was designed to provide assistance for anyone who is unemployed and over 65 years of age, dependent children and anyone in need.

Furthermore, this act intended to protect Americans from financial trouble during retirement, and help Americans living with an illness, disability, and those living in poverty. Modifications have been made over time to better protect and provide continuing benefits for those who experience a loss of earnings due to retirement, disability, illness, or death (Diamond, 2009). In 1939, revisions were made which expanded benefits to dependent children, the blind, pregnant women, wives and children of retired workers, and children and dependent parents of deceased workers (Weaver & Martin, 2005).

Benefits continue to increase over time in order to improve the system and further help those in need. The governments' overall intent was and is to provide help and protection for the population through social welfare and social security. It is the government's duty to help society run smoothly by creating ways in which people can succeed and better their situations.

Decreasing poverty rates is a main way the government can help society; poverty is a prevailing concern that must be dealt with to ameliorate the lack of services experienced by those in poverty.

The funding Structure and Cost to Implement the Policy The Social Security law established a board, which consisted of three members whom were chosen by the president: John Want, Arthur Altimeter, and Vincent Miles. They were to announce to the public the qualifications and benefits that Went along with Social Security. In order to implement an effective system, the Social Security Board was established to collect payroll axes (Weaver & Martin, 2005). The overall administration was set up into three bureaus: Public Assistance, Unemployment Compensation and Old-Age Insurances (Diamond, 2009).

The staff members assigned to help implement the policy were divided into several divisions: General Counsel, Accounts and Audits, Research and Statistics, Business Management, and informational Services (Diamond, 2009). The Social Security Administration created the Administration of Retirement, Survivors, and Disability Insurance and Supplemental Security Income. Medicare and Medicaid would be administered by the Department of Health and Human Services and unemployment insurance would be administered by the united Stated Department on Labor.

The Department of Treasury manages the overall benefits and trust funds. The main idea behind the funding structure of social security is that it is funded by the taxation system whereby workers make contributions to the system through their taxes, which are then distributed to the people when eligible, with the government overseeing the entire process.

This form of social insurance is based on contributions and benefits relating to persons' earnings. The system works by requiring every employed citizen

to pay Social Security taxes, which are placed into the Old Age and Survivors Benefits trust fund.

Then, in principle, all of the money in the fund is distributed to those who are eligible for Social Security. The funding system is supposed to ensure that there will be enough money in the reserve to pay retirement benefits for each working person in each generation in perpetuity (Wolf, 2011).

Payments to retirees are funded by a payroll tax on current workers, which are collected from gross wages of American workers. The social security taxable maximum has been increasing since the Social Security Act initiated.

**Strengths** There are many individual and societal benefits that stem from the Social Security system.. A major strength of the Social Security system in the United States is that it is an institutional approach, providing a definite safety net for all citizens, meaning everyone receives universal services. Social Security has saved countless Americans from poverty.

Additionally, the Social Security system allows citizens to take greater economic risks throughout their lives with the knowledge that they will be cared for, and provided a safety net to all back on.

The Social Security program influences the amount of participation Americans involve themselves in within the government. Voters have the ability to vote on matters that have to do with social security, which directly relates to their lives. Social security is an investment in their future, which thereby may encourage some to become more aware of political issues that may affect their future investment.

Social Security has helped countless Americans by providing support for older retirees, their families, those with disabilities, widows, and various survivors.

The Social Security System is a key part of retirement, especially. Ultimately, social security is a savings plan for everyone; this ensures that citizens have some savings put aside for retirement that might not have been there otherwise. The program has prevented many elderly Americans from experiencing poverty when they were no longer able to work and support themselves. In principle, Americans who pay into the Social Security System all their lives have their checks to look forward to, providing a source of additional income.

The Social Security System provides help for the disabled and for those who experience an unplanned health issue. Very few people have the ability to effectively plan for a disability or health issue. Disabilities and health issues, more often than not, lead to difficulties and financial ruin due to the expense of treatments. These circumstances may be detrimental to ones' financial stability, making social security extremely beneficial. Weaknesses As there are strengths, there are also definite weaknesses of the Social Security system.

Since the Social Security system is an institutional approach, it is relatively costly. The program has become increasingly more expensive or Americans workers, paying record high taxes to the system. Additionally, the Social Security system is running out of funds rapidly: at a rate faster than what is being contributed to the program, therefore, not fulfilling the system's

intention and promises to the people: to help and protect citizens who put into the system all their lives (Wolf, 2011). Specifically, the Social Security System does not take into account the age distribution of the United States.

This societal trend depletes the Social Security fund at a faster rate than the money being invested into the fund by younger citizens. The ratio of those who pay into the system and those who draw from the system has become increasingly smaller.

Life expectancy has increased over time, so there is a higher percentage of the population making it to significantly older ages, especially women. Due to inflation and the rising cost of living, Social Security must make supplementary adjustments in order to create a more helpful financial system for American citizens.

Social Security taxes may, arguably, be too high, considering the changes our economy has faced over time, ignoring cost of living factors of those who pay into the system. On the other side, these cost of living factors affect the recipients who find it increasingly hard to cover the cost of living with the benefits they receive.

Furthermore, many people who qualify for Social Security take advantage of the system and perhaps should not qualify for the program's benefits, that is, those making above a certain amount of money, at a certain, rather high, income bracket.

Also, Social Security is no longer a dedicated fund that is restricted to the use of social security, but has become part of the general ends of the

government, where recently, the funds have been used for other purposes. This matter has caused great Concern among older citizens who have been looking forward to receiving their earned benefits. Changes and Improvements Improvements can certainly be made to better the Social Security program in order to effectively reduce poverty among families.

Social Security benefits should be improved, amplified and expanded. Based on the Structural theory, the way that society is organized perpetuates poverty (Combers, 2007). In other words, societal factors directly influences ones economic status and often restricts opportunities (Combers, 2007). This theory explains why people in poverty often stay in poverty. Those in poverty are unable to avoid the pitfalls that lead to poverty and then must depend on the government to alleviate the system through mechanisms such as social security.

Income inequality has increased drastically over the years due to the structure of society; there is less economic mobility, meaning, those in poverty have a hard time escaping. The Social Security program has indeed reduced poverty among older Americans dramatically; however, improvements can be made. One way to strengthen the Social Security system is to slowly increase the age of eligibility. By increasing the age of eligibility, more money would be available to be distributed among the retired, elderly citizens who qualify for benefits, as opposed to fewer benefits for a higher number of citizens.

Another approach to improve the system would be an eligibility income test. There should be a more detailed evaluation for eligibility in order to give to



those who are truly in need. Perhaps, denying benefits to those over a designated income bracket may improve the entire system. By excluding those who make a predetermined income, more funds would be made available for those who are in greater need. We can assume that people of certain elevated incomes do not need the benefits they would accrued from social security e. G.

, billionaires.

If the Structural Theory is taken into account, one can conclude that poverty is an outcome of how society is structured; thus, attempting to improve how society functions may lead to a better society in general, simultaneously decreasing the rate of poverty. Another way to improve the system is for the government to first focus on eloping their states and citizens before spending money on other countries. The government could cut a designated amount of programs in order for social security to continue giving the benefits they have promised.

Cutting military spending and other various programs may possibly help improve the economy.

The budget cuts would hopefully generate more jobs within the United States, which may then increase the funds in social security, thus, reducing the future deficit in the social security program. As mentioned earlier, recently, the funds have been used for purposes there than social security; therefore, another improvement is to ensure that the money in the social security fund is exclusively used for it's intended purposes.

Another aspect of this problem or situation, perhaps the most difficult to address, is fraud that exists in the system. Whereby people who do not qualify for benefits receive them and, or taking advantage of benefits given to those unreported diseased recipients. Finally, but only for future consideration, a more radical approach to improve the system would be to replace the payroll tax with a system of riveter saving accounts.

This would most likely improve an individual's financial stability and the overall economy.

Working Americans would earn more by investing their tax dollars in private accounts. These savings would be a part of their personal property and would contribute to the overall welfare of the economy. Social Security is predicted to run out sooner rather than later. Prevarication is a way to guarantee a safe and secure retirement without hurting American workers in the current generation. Moreover, prevarication could benefit the economy by helping create additional genuineness and jobs, which could then increase savings, and spending on goods and services.