

## Welfare Since the WWII: Economical and Political Concerns

### INTRODUCTION

Because of the cyclic development of civilizations, each nation has ever experienced both prosperity and decay, yet reaching the state of common welfare is one of the most desired goals of any state. Despite the fact that total prosperity is practically unachievable, the current US government is actively exploring the ways to promote better life standards in the country. Whether the vast improvement is possible in the light of the recent events in the US political life is the topic of the given paper. There is no surprise that welfare has recently become an important topic in the USA, especially after the attacks of September 11, 2001 and the subsequent wars in Afghanistan and Iraq. It is not a simple topic to discuss, though. In order to have a proper explanation of the topic, one needs to understand the conditions that triggered the current situation. It is important to comprise the economical and the social changes of the United States society over the last decade. The combination of the analysis of both the social and the economical aspects will provide a better understanding of why in the psychology of the people and in the actual public discourse, welfare is one of the most discussed.

The first and the foremost problem will be to define welfare. In addition, the role of government in the welfare establishment is to be considered. Thereafter, the costs associated with the war in Iraq, in particular, and the war on terror, in general, for the United States, should be assessed, as well as the influence of these costs on the American society and the fiscal weight imposed on the government expenditures. Thereafter, the cost of life in the country and the present income situation for different groups and classes of society are going to be discussed. The employment

market and the income distribution among the population, different status groups of the society should be analyzed as well.

Special attention will be paid to the health care costs in the United States and the credit crisis which is related to the income (and income distribution) analysis. In the end of the above-mentioned analyses, the connection between present social economical situation and the rise of the public discourse about welfare and the role of government in it was discussed.

#### WELFARE AND THE COST OF WAR

The definition of such phenomenon as welfare involves a number of elements from both the social and the political life of a citizen. However, there is no simple answer to that question. According to the Encyclopaedia Britannica Online (2008), welfare refers to: 1. Health, happiness, and good fortune; well-being; 2. Prosperity.

Thus, welfare is something that every human being would agree upon and would like to have. According to what the Encyclopaedia Britannica Online (2008) says, welfare is the aim that every single human being strives for, since welfare is a sort of “financial or other aid provided, especially by the government, to people in need” (Welfare, 2008).

As we can see in the definition given in the encyclopaedia, welfare as a concept practically influences the daily lives of every individual in the society. Considering the social aspect of people’s lives, one can claim that with help of the government, its citizens can achieve a sufficient level of well-being, prosperity and wealth. Since the times of President Reagan’s policy, based on the ideas of Smith, free trade and economic liberalism were the dominant ideology in American society.

The role of government included creating the conditions for markets to

function and nothing more. Government was not supposed to undertake active measures to increase its citizens wealth, wellbeing and prosperity, i.e. welfare. Increasing the living standards of the society was the aim of markets and would come as a result of the free interaction between markets and individuals of the society (Buchholtz, 16).

In the first decade of this century, President Bush revived the policies of late President Reagan and unleashed the market force once again in full throat. Everything seemed to function well, and the dream of a welfare system in the United States sparked by some policies suggested by President Clinton seemed to be abandoned for good (Buchholtz, 8). But the events of September 11, 2001 together with the subsequent wars of Afghanistan and Iraq increased the governmental spending. According to the national Priority Project, the cost of war, combined in Iraq and Afghanistan, for the fiscal year of 2008 alone was \$187.5 billion, according to *Cost of War* (para.1). If mentioning the total cost of wars in Afghanistan and Iraq, including military and non-military spending, one has to admit that to date, the total cost of war that has been allocated by the Congress makes \$830.2 billion, with \$657.3 for Iraq and \$172.9 for Afghanistan. In addition, on April 9, 2009, the new administration requested additional \$77.1 billion in war spending as a final emergency supplemental. It was estimated that approximately \$52.7 billion of the total sum will be paid by Iraq, and the remaining \$24.4 billion will be paid by Afghanistan (*Cost of War* para.2).

However, this is not the governmental spending that matters the most, but the great number of people perished during the wars erupted in the past century. In order to understand the problem raised in this essay, one has to consider the fact that the wars mentioned were the first not to be funded with taxes from the American

people. The huge sum of money shown above is borrowed entirely from the federal government. So, this is basically a war funded by loans (Bonner and Wiggin, 13). The impact of this huge bill, which was to be paid continuously, has been devastating. However, it is not just only this factor alone that caused financial difficulties in the country. In the next section, we will deal in detail with the gap between different groups of society. Still, speaking of the cost of the war, one must admit that a huge amount of money was concentrated mostly in the hands of a few corporations that dealt with military technology or war-related services. This money could have been invested in other public services, public infrastructure, etc. by the government in order to boost market turnovers in particular areas or promote specific products and services for the benefit of the public.

Turning to basic economic theory, one will find that huge governmental spending can have a negative impact on the economy of a country. Huge spending would negatively affect the financial sector by disrupting the equilibrium within the market, which would result in weakening of the currency and an increase in prices with higher rates than what people could earn. To put it shortly, the cost of products and services would cost more than monthly revenues of the entire population, which is exactly what happened during the first five years of this decade, as Bonner and Wiggin (19) report. In turn, the sharp increase in prices would make the income distribution among the public considerably polarized, which would mean that some social groups or social classes would earn much more than what the rest of the society (Bonner and Wiggin 20). It would be reasonable now to pass to the second part of the “equation” and assess the social consequences of the neo-liberal politics of *laizess faire*.

## WEALTH DISTRIBUTION

The main factor that influences people's daily lives is the distribution of wealth. Here people enter in the sphere of not only of politics and economics, but also ethics and morality because wealth distribution has a lot to do with justice, at least a public perception of economical and social justice.

Poverty is the first thing to come to mind when one talks about social and economical justice. For most people, the very word "poverty" is understood basically as "an inability to provide a family with nutritious food, clothing, and reasonable shelter" (Bruch *et al*, pg. 4). A good example is the "Poverty Pulse" poll taken by the Catholic Campaign for Human Development in 2002. As Bruch explains, the organizers of the poll asked the general public the following question: "How would you describe being poor in the U.S.?" (Bruch *et al*, pg. 4). The overwhelming majority of responses focused on homelessness, hunger or not being able to eat properly, and not being able to meet basic needs.

Therefore, the general public perceives poverty as the lack of nutritious food, adequate warm housing, and clothing for a family. Thus, according to the Census Bureau, out of 35 million people identified as living "in poverty," only a few could be characterized as really poor. While material complexities do exist in the United States, they are quite restricted in scope and severity. The average "poor" person, as defined by the government, has a living standard far higher than a poor person in any other country of the world. But this does not mean that everything is functioning as it should in the world of the poor, even in the United States. Nowadays, scholars have paid attention to another concept, which is as important as the first; namely, the so-called relative poverty. This concept does not measure the ability to proper nutrition or clothing that a person has but the comparison being made in possibilities

that this person, or social group, has in comparison to other persons or social groups within the same society.

In fact, the issue of understating poverty is especially pressing in states with both high cost of living and high poverty rates, such as California, where the median home price in May 2006 was determined to be \$564,430 (Bruch *et al.*, 43). With half of all homes being priced above the \$1,500,000 mark and prices in urban areas such as San Francisco, San Jose or Los Angeles being higher than the state average, it is almost impossible for not only the poor, but also lower middle class worker to afford decent housing. Hence, there is no possibility of home ownership (Bruch *et al.*, 43). Another example can be the Monterey area, where the low-pay industry of agriculture is the largest sector in the economy, and the majority of the population lacks a college education, the average home price was supposed to be \$723,790, which would require an upper middle class income which roughly 20% of all households in the county boast (Bruch *et al.*, 43). Such fluctuations in local markets are, however, not considered in the Federal Government poverty threshold.

It is necessary to spend a few words on another important problem mentioned frequently during the last Presidential campaign by both parts and that relates with poverty and income distribution: health care. According to what Anderson said, the issue of public spending touches upon such important aspects of home policy as healthcare. It is essential to mention that health care in the United States is provided not only by the government, but also by a number of separate legal entities. It is quite remarkable that in the United States, more is spent per person on health care in the United States than in any other nation in the world.

A study of international health care spending levels published in the health policy journal *Health Affairs* in the year 2000, found that while the United

States spends more on health care than other countries in the Organisation for Economic Co-operation and Development (OECD), the use of health care services in the U.S. is below the OECD median by most measures. (Anderson *et al.*, pg. 2)

The authors of the study conclude that the prices paid for health care services are much higher in the United States. Comparing Anderson's opinion concerning the country economical affairs and the healthcare services, one can start understanding people's psychology and people's ideas concerning the governmental expenditures and the level of the state services. During this decade, the gaps in income and wealth distribution between individuals and social groups of society have been constantly increasing.

#### CONCLUSION

Combining the increase in the cost of many products and services together with the non-congruent increase in monthly revenues for many Americans made their life more difficult. Another factor to be mentioned here is the cost of the combined war in Iraq and Afghanistan, or the so called "war on terror". This money could have definitely been used in a different way.

As it has been mentioned above, the government could have influenced the market by promoting certain products and services at the benefit of the general public. Another form of the governmental control of the state revenues and the public welfare would require that the president offered certain amendments to the current laws to help create jobs for many people. But, since the philosophy of the previous administration was that of neo liberalism, it is obvious that the government does not intervene in the market affairs, which means that the money raised as funds were

used to finance the war, so that markets would respond positively, and, thus, the prosperity of society would be guaranteed. Unfortunately, since the markets have responded positively only for particular groups of society, the majority of the public has failed to earn the required amount of money, which led to raising a public discourse for welfare, perceived by the public as a sort of “salvation” from this income and wealth distribution gap among groups of society.

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