



AUDIO STATION

**Chapter 3: American Free Enterprise
Section 4**

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ECONOMICS

PEARSON

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Objectives

1. **Explain** the U.S. political debate on ways to fight poverty.
2. **Identify** the main programs through which the government redistributes income.
3. **Describe** how the government encourages private efforts to help the needy.



Key Terms

- **poverty threshold:** an income level below that which is needed to support families and households
- **welfare:** government aid to the poor
- **cash transfers:** direct payment of money by the government to the poor, disabled, or retired people
- **in-kind benefits:** goods and services provided for free or greatly reduced prices
- **grant:** a financial award given by a government agency to a private individual or group in order to carry out a specific task



- How does government help the poor?
 - To help the poor, government programs take money from some people and redistribute it to others.
 - Such programs include:
 - The welfare system
 - Cash transfers
 - In-kind benefits
 - Medical and educational benefits
 - Grant money



The Poverty Problem

- In a free market, the wealth is spread unevenly throughout society, which leaves some people below the poverty threshold.
- The U.S. Bureau of the Census sets the poverty threshold based on the cost of the goods a family needs to buy.



The Government's Role

- Checkpoint: What is the goal of the government welfare program?
 - The government provides a safety net to groups like the very young, the very old, the sick, the poor, and the disabled through various federal, state, and local government programs.



The Government's Role, cont.

- One government program, the welfare program, collects funds from taxpayers and redistributes this money to those in need.
 - This system began during the Great Depression and continues today.



Welfare Reform

- Critics of welfare claim that it discourages productivity and further aggravates poverty.
 - In 1996, new welfare reforms limited the amount of time people could receive welfare payments and gave states more freedom to experiment with antipoverty programs.



Redistribution Programs

- Government redistribution programs include the following:
 - Cash transfer programs
 - Temporary Assistance for Needy Families (TANF) - sends welfare payments directly to the states, which design and run their own welfare programs



Redistribution Programs, cont.

- Social Security - collects money from current workers and redistributes funds to retired and disabled persons



Redistribution Programs, cont.

- Unemployment Insurance
 - Provides money to workers who have lost their jobs as long as recipients offer proof that they have made efforts to get work.
 - This help is only temporary, offering benefits for only 26 weeks in most states.
- Worker's Compensation
 - Provides state funds to workers injured on the job.



In-Kind Benefits

- The government also provides poor people with in-kind benefits, such as:

- Food stamps
 - Qualified people receive assistance with their monthly food purchases



In-Kind Benefits, cont.

- Subsidized housing
 - Qualified people are allowed to rent housing for less than the regular rent
- Legal aid
 - Qualified people receive legal advice at no charge



Medical and Educational Benefits

- The government provides health care to the elderly (Medicare), the disabled, the poor (Medicaid), and children who are uninsured (SCHIP).
- The government also funds educational programs from preschool to college.

Economics & YOU

Redistribution Programs

Campus East

TUITION ASSISTANCE FORM
First Name: _____ MI
Employee #: _____
Location: _____
Business Telephone: _____
School Address: _____
(City, State, Zip) _____
Location: _____
Year: _____

Public colleges and universities often have lower tuition than private schools. **You can pay less to attend a public college, because states have redistributed tax money to support education.**

Social security taxes are taken out of your paycheck. **The money you pay to social security is redistributed to senior citizens so they can maintain a decent standard of living.**

Pay Check
Social Security Tax

The graphic is divided into two horizontal panels. The top panel shows a woman in a pink shirt and blue pants standing in front of a building labeled 'Campus East'. She is holding a pink folder and talking to two other people. To her right is a 'TUITION ASSISTANCE FORM' with various fields for personal and school information. The bottom panel shows a woman in a green shirt looking at a 'Pay Check' that has 'Social Security Tax' crossed out. In the background, an elderly couple is shopping in a grocery store, with the man pushing a cart.



Encouraging Private Action

- Checkpoint: How does tax law provide an incentive to help the needy?
 - Federal tax laws allow both individuals and corporations to take tax deductions for charitable donations.
 - The government may also provide grants and other assistance to organizations that provide social services.



Review

- Now that you have learned how the government helps the poor, go back and answer the Chapter Essential Question.
 - What role should government play in a free market economy?

