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# **Misperceived Price Supports: How the GPRA led to the downfall of the American Middle-Class**

Ryan Stephen Ehrenreich, MBA

## **Introduction**

Relentlessly pursuing faulty objectives is likely to result in undesirable outcomes. That is what happened to the United States of America in the 1990s after the passage of the Government Performance and Results Act of 1993 (GPRA), which sought to imbue modern managerial techniques from the business world into all departments of the U.S. federal government.

Such modern managerial techniques were designed to empower managers to efficiently and effectively drive organizations forward in the pursuit of clearly stated goals and objectives. However, if a goal is fundamentally flawed, maximally pursuing that goal only magnifies the detrimental effects caused by committing to that flawed goal in the first place.

Based on a lack of understanding of the root cause of the Great Depression and a GPRA-inspired drive to modernize government by eliminating wasteful spending, U.S. policy-makers set goals and enacted changes that directly undermined the FDR Administration's solution to the Great Depression, namely the U.S. Price Support for Labor, which had created the historically strong U.S. Middle Class. This Price Support for Labor was enacted by provisions in the Social Security Act of 1935 that paid certain members of U.S. society to work less or not work at all, a situation which ran contrary to the GPRA mindset of reducing waste and maximizing efficiency.

As a result of this ideological shift, changes were enacted to cash aid welfare in the Personal Responsibility and Work Opportunity Act of 1996 (PRWORA) and to Social Security benefits in the Senior Citizens' Freedom to Work Act of 2000 (SCFWA) that prioritized a GPRA-inspired goal of "return to work" above all else, nearly eliminating the practice of the

Misperceived Price Supports: How the GPRA led to the downfall of the American Middle-Class federal government paying certain members of society to specifically not work or work less. Without an effective Price Support for Labor, conditions in the labor market turned drastically against the individual worker and to the benefit of ownership, leading to the downfall of the previously-strong American Middle Class, as described below.

### **Root Cause of the Great Depression**

Throughout human history, technological advancements have produced more reliable, efficient, and effective ways to accomplish existing functions within a given society, reducing the need for unskilled human labor to perform those functions in the process. Such advancements have led to significant increases in the overall productivity of a given society's labor force, enabling the long-term stability of many legendary civilizations of the past (Shin, 2020). Furthermore, those productivity gains enabled vast diversification in the roles of people in their societies.

This diversification is most simply exemplified in the feudal mantra of orders: “those who pray, those who fight, and those who toil” (Duby, 1980, p. 174). In regards to medieval Europe, this mantra clearly delineates 1) the clergy who served God, 2) the nobility who originated as warriors of the state, and 3) the laborers who produced economic output. Also, importantly, the Catholic Church provided a stable pathway for absorbing any excess supply of labor into the clergy, thus functioning as a Price Support for Labor (explained below). Additionally, “with the expansion of the monetary economy, the places of the actors on the social stage gradually shifted”, promoting the role of “trade, a kind of labor” (Duby, 1980, p. 323), proving an underlying implication of this mantra: as a society advances technologically, there is more possibility for diversification into specialist roles beyond that of the most basic role of unskilled, undifferentiated laborer.

However, the downside of technological advancement is that in displacing the need for unskilled human labor, in absence of the commensurate creation of new need for labor elsewhere in the economy, the adoption of new technology leads to an ever-declining real wage for unskilled laborers, as the relative supply of unskilled labor increases at the same time that demand for that labor decreases (Mills, 1934). Furthermore, when coupled with an ever increasing population base, in absence of a clear solution, this ever-declining real wage will impact more and more people as time passes, possibly precipitating catastrophic societal consequences, such as the “capitalist fratricide that Marxist-Leninist theory confidently predicted” (Kennedy, 1999, p. 382).

To understand how technology destabilizes the real wage for unskilled labor, consider the impacts of introducing a new technology. New technology often provides a more reliable, efficient means to achieving a function that already existed in society. Therefore, the adoption of such a new technology *en masse* necessarily decreases the demand for the unskilled labor that performed the commensurate function prior to the adoption of this new technology. While such a new technology often creates demand for fewer, but more skilled, specialists that have been trained in how to apply or maintain this new technology for productive work, the unskilled laborers displaced by the new technology rarely become the skilled specialists who fill the newly created roles, and even if they do, the aggregate demand for specialist labor to fill the newly created roles is often less than the aggregate demand for unskilled labor that has been displaced by the new technology.

Therefore, the new technology has the ultimate effect of increasing the supply of unskilled labor available for other industries at the same time as it reduces total aggregate demand for unskilled labor across all industries, thus necessitating a reduction in real wages for

Misperceived Price Supports: How the GPRA led to the downfall of the American Middle-Class unskilled laborers as a whole. As time passes, if wage earners in unskilled labor experience massive job displacement without a clear solution for where to transition to in order to obtain survival income, those wage earners will go back into the pool of unskilled labor to seek their survival income, and the resulting catastrophic decline in real wage for unskilled labor may cause tremendous unrest in society.

This very condition, the deterioration of real wages caused by the rapid decline in demand for human labor, was the true cause of the Great Depression of the late 1920s and 1930s. Americans of all classes were buying, often on credit, the latest labor-saving or productivity-enhancing technologies, both for personal and professional use, and then using those technologies to automate the need for each others' labor, hence reducing overall demand for human labor. As Americans used purchases on credit to automate each other's contribution to the wider labor force, they simultaneously deteriorated the value of each others' work in real wages, causing the very credit purchases that provided the labor-saving technologies to become bad debts. The Stock Market Crash of 1929 was how the economic system processed this massive pile-up of bad debts, and in absence of strong government intervention and under tightened federal monetary policy, the U.S. economy as a whole reverted from an economy that served all demand, whether on credit or not and whether that demand was truly creditworthy or not, to a market that served only the demand of those who could actually afford to buy the good being purchased. This drastic reduction in demand for goods caused a further massive reduction in the demand for human labor to produce those goods, leading to massive joblessness.

The author supports this analysis as to the root cause of the Great Depression by comparing the 1934 observations of Frederick C. Mills for the National Bureau of Economic

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Research to the actual situations that unfolded during the Great Depression. In regard to technical advancement in agriculture specifically, Mills asserted:

“Given a labor supply without fixed job tenure, and therefore subject to ready reduction, real labor displacement may be expected to result from technical improvement. If the labor supply be tied to the productive processes in question (as it is in agriculture, to a large extent) an expanding output, produced under conditions of lower cost and without much regard to the ability of the market to absorb the increased supply, may be expected. Marketing troubles, price weakness, social distress and reduced living standards may result from this combination of circumstances.” (Mills, 1934, p. xxvi)

Mills assertion on agriculture directly aligns with the events that occurred before and during the Great Depression, as technological advancements in farming led to record surpluses, resulting in a downward spiral for farm commodity prices. As David M. Kennedy observed:

“When the guns of August 1914 announced the outbreak of fighting in Europe, American farmers had scrambled to supply the world’s disrupted markets with foodstuffs [...] The number of motorized farm vehicles quintupled in the war years, to some eighty-five thousand [...] By the end of the 1920s nearly a million farmers chugged along their furrows mounted atop self-propelled tractors. And as tractor-power substituted for horse- and mule-power, some nine million work animals were destroyed, releasing an additional thirty million acres of pastureland for the planting of wheat or cotton or for the grazing of dairy animals [...] American farmers found themselves with huge surpluses on their hands. Prices plummeted.” (Kennedy, 1999, p.17)

The industrial production of goods also experienced rapid technological advancement prior to the Great Depression, and these technological advancements displaced massive amounts of human labor. As Mills explained, for industries producing goods with inelastic demand, “Mechanization in other economic areas marked by inelastic demand for commodities produced tended also to displace labor, rather than increase production, and so to widen the margin of unemployment which has always been a feature of an industrial economy.” (Mills, 1934, p. xxvi-

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xxvii) Further, Mills explained that even for industries experiencing elastic demand for their goods, labor displacement often occurs when corresponding profits are not used to increase output. As Mills stated:

“With demand elastic the given innovation may still displace labor, rather than increase output, if the reduction of costs is not passed on in the form of correspondingly lowered prices to buyers. If the reduction of costs served exclusively to swell profit margins [...] the final effects of the innovation might be [...] to displace a quantity of labor corresponding to the enhanced efficiency of the manufacturing process.” (Mills, 1934, p. xxvii)

Mills observations on the displacement of labor, which occurs when gains in efficiency from technological advancement are not used to increase production, but rather to grow profits, align with the situation that unfolded around the Stock Market Crash of 1929. Shortly before the crash, federal monetary policy was tightened, and thus caused a reduction in access to credit. As Kennedy observed:

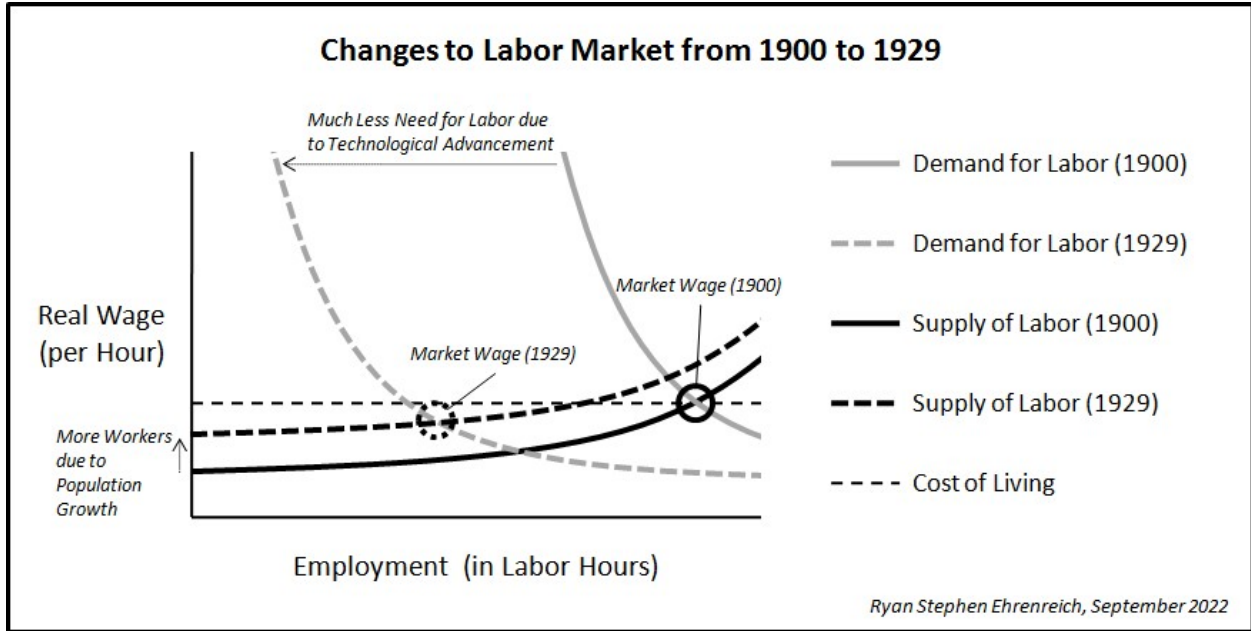
“The Federal Reserve Board justifiably hesitated to raise its rediscount rate for fear of penalizing non-speculative business borrowers. When it did impose a 6 percent rediscount rate in the late summer of 1929, call loans were commanding interest of close to 20 percent – a spread that the Fed could not have bridged without catastrophic damage to legitimate borrowers [...] By ordinary measures, credit was tight after 1928.” (Kennedy, 1999, p.37)

Kennedy noted the affect of this tightening credit on industrial business, stating “a business slowdown was detectable by midsummer 1929, but as yet there was little reason to consider it anything more than a normal dip in the business cycle” (Kennedy, 1999, p.39). But even in the face of reduced output and the aftermath of the Stock Market Crash of 1929, industrial stocks experienced tremendous price stability, as Kennedy further noted “By April 1930 [...] New York Times average of industrial stocks then stood about where it had at the beginning of 1929, which

Misperceived Price Supports: How the GPRA led to the downfall of the American Middle-Class was approximately double the level of 1926” (Kennedy, 1999, p.40). As stock prices are a reflection of company earnings, it is reasonable to assume that benefits of technological innovation were applied toward bolstering industrial stock prices, not maintaining or expanding output in the face of economic slowdown. This interpretation is further supported by the U.S. Industrial Production and Capacity Utilization index (INDPRO), which stood at a post-WWI low of 3.7994 in March 1921, grew to 6.7635 by October 1926, reached a high of 7.8683 by August 1929 (around the time of the mid-1929 slowdown Kennedy noted), but by April 1930 had declined to 6.7905 (which was nearly identical to the 1926 high, even though corresponding stock prices had doubled since), and further declined to interwar period low of 3.6916 by July 1932 (Board of Governors of the Federal Reserve System (US), FRED, 2022, INDPRO).

Beyond commercial production alone, in the 1920s, domestic settings began to experience the benefits of technological advancement, as many of the time-saving household appliances that people take for granted today were only just coming to market. Of note, yearly sales of electric household appliances and supplies skyrocketed from \$23.7 million in 1915 to \$176.7 million by 1929, representing a more than 7 times increase in those 15 years. Many of those appliances, such as washing machines, displaced many weekly hours of human labor. Similarly, yearly sales of radios skyrocketed from \$17 million in 1920 to \$366 million by 1929, representing a more than 21 times increase in those ten years. Using electromagnetic waves, radio provided information for free that was previously purchased in the form of print newspapers or in-person theatrical entertainment. (U.S. Bureau of the Census, 1960, p. 250-306) As a result, the amount of human labor necessary to maintain a household reduced dramatically, causing displacement of demand for household staff and related services.





**Figure 1. Changes to Labor Market from 1900 to 1929**

Figure 1 depicts in relative values how these technological advancements of the early 1900s affected conditions in the overall U.S. labor market. While the U.S. population grew from 1900 to 1929 (shifting the supply curve of labor upward), gains in efficiency from technology drastically reduced the amount of labor necessary to support a given level of economic production (shifting the demand curve for labor far leftward). Prior to 1929, workers themselves buoyed the demand curve for labor by taking on debt so they could purchase products that they could not actually afford, thus artificially stimulating demand for labor. However, after access to credit tightened post-1929, demand collapsed and the intersection of these curves (i.e. the Market Wage) deteriorated well below the Cost of Living, resulting in economic instability and massive unemployment.

In regards to the macroeconomic effect of gains in efficiency caused by technological advances, Mills stated the long-term hope in regards to goods of inelastic demand that “the purchasing power released when consumers are able to buy certain commodities at lower prices

Misperceived Price Supports: How the GPRA led to the downfall of the American Middle-Class may be expected, ultimately, to find an outlet in increased demand for other commodities, and so lead to absorption elsewhere of the displaced labor.” (Mills, 1934, p. xxviii) Mills further stated the hope in regards to goods of elastic demand that “the increased purchasing power represented by higher dividends or other disbursements might be expected to offset the reduction of purchasing power due to the displacement of labor and to lead, ultimately, to increased demand in other economic areas and to increased employment elsewhere.” (Mills, 1934, p. xxviii) However, Mills failed to note that individual workers tend to have little bargaining power, so fragmentation and re-absorption of labor often do not produce a commensurate situation as to what existed before, especially when the prior work developed job-specific skills that were not useful to the later employment.

And in contradiction to his hope, Mills described the deleterious economic effects of technological advancement in noting that “the time lag between displacement and ultimate re-employment might be a very long one indeed.” (Mills, 1934, p. xxviii) However, Mills failed to note that the actual workers who have been displaced may not be directly competitive for “employment elsewhere”, and so overcoming this “time lag” may require the worker to receive new training or education. Additionally, Mills noted that technology disrupts the markets convergence toward equilibrium in noting that “it is fair assumption that technological changes disturb in greater or less degree the equilibrium, or the tendency towards equilibrium, which prevailed prior to such innovations.” (Mills, 1934, p. xxx)

In regards to the Great Depression, this author has found ample evidence in Franklin Delano Roosevelt’s words and actions during the 1930s that his administration grew to understand that the “displacement of labor” Mills described as a result of technological advancement, combined with the “time lag” that Mills noted for re-employment, were actually

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the root cause of the Great Depression, in that if this “time lag” is large (beyond a couple months), based on the Law of Supply and Demand in regards to the real wages of labor, the reduction in demand for labor caused by technical advancements necessitates a corresponding drop in real wages for the period to time that the unemployed workers remain out-of-work and their desperation for survival grows. Furthermore, the instability in real-wages caused by this “time lag” significantly disrupts the overall markets tendency toward equilibrium, as economic production must constantly re-adjust to the ever reducing purchasing power of the workers whose real wages are declining due to decreased demand for their labor. Additionally, this author notes that, especially in regards to older workers, this “time lag” may never terminate, as such workers may remain unemployed for the remainder of their lives.

In regards to solving the Great Depression, the FDR Administration understood early that the federal jobs programs enacted under the Hoover and Roosevelt Administrations would not be sufficient alone to fix conditions in the labor market. Ultimately, the FDR Administration grew to understand that the key to solving conditions in the labor market was to solve for Mills’ “time lag” of worker re-absorption by creating a mechanism that immediately absorbed the portion of the labor force that was displaced by technological advancements. In doing so, the FDR Administration could prevent substantial declines in real wages for workers that would otherwise erode their purchasing power and lead to further reduction in demand for outputs of the U.S. economy, thus preventing massive disruptions in the overall market’s tendency toward equilibrium.

This economic mechanism that the FDR Administration ultimately used to solve the Great Depression was the “Price Support”, which is a mechanism in which the government buys the excess supply of a good or service for the purpose of stabilizing the Market Price for that

Misperceived Price Supports: How the GPRA led to the downfall of the American Middle-Class good or service. In regards to labor, this meant creating a system of programs that pays some portion of the labor force to not work or work less, termed by this author as a “Price Support for Labor”.

### **What is a Price Support for Labor?**

A Price Support is an economic mechanism under which the government solves over-supply conditions in a given market (usually a commodity market) by purchasing excess supply for the purpose of guaranteeing a minimum real price for a good produced that is at least as great as the cost of producing said good, thus stabilizing that market by allowing that market to move toward the type of equilibrium that Mills described. Unlike a Price Control law that sets a minimum nominal price, which disrupts equilibriums in supply and demand elsewhere in the economy, the Price Support instead uses money allocated for its function to change the intersection point (i.e. Market Price) of the supply and demand curves in such a manner that does not move the underlying problem elsewhere in the economy. However, Price Supports are expensive to implement, as the government must allocate significant funds to guarantee that the excess supply “goes to waste, is sold at reduced prices overseas or is purchased [for storage] by the government”. (Weber, 2011, p.16)

In regards to labor markets, Price Controls laws such as Minimum Wage laws are often the preferred mechanism, as they do not require the government to actually budget money to “solve” the problem. Such Minimum Wage laws clearly establish the minimum nominal hourly wage that employers are allowed to pay employees, sometimes with differing values for small businesses or service professions that receive tips. However, the problem with using a Minimum Wage to guarantee that laborers receive pay that is at least commensurate with the Cost of Living is that doing so under elastic demand “creates unemployment and excess supply” of labor, as

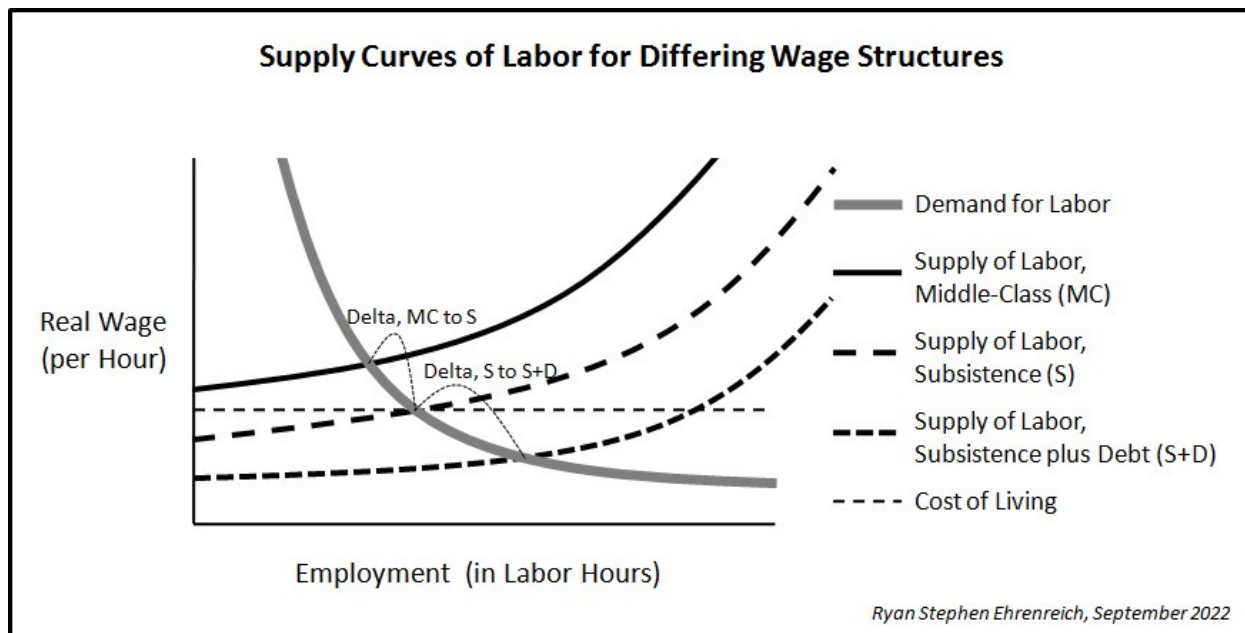
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“[m]ore people are willing to work for more hours for a higher wage”, but “more employers are willing to hire more employees for more hours at a lower wage”. (Weber, 2011, p.11) In cases where the demand for the labor being performed is inelastic, markets will instead use inflationary effects to adjust to a new equilibrium that absorbs the artificially high Minimum Wage. In the latter scenario, under a Minimum Wage that exceeds the Cost of Living for a worker at the time it was enacted, inflationary effects will eventually cause the Cost of Living to grow larger than the nominal value specified by the Minimum Wage, thus negating the original purpose of setting the Minimum Wage.

To supplement this deficiency of Minimum Wage laws, governments will often enact “jobs programs” such that the government hires unemployed workers to perform tasks that are deemed strategically useful, but not actually demanded by the private markets at that time. Such jobs programs seek to shift the demand curve for labor rightward so that more employment opportunities are available at Minimum Wage (or higher), thus supporting the real value of the nominal Minimum Wage value that has been mandated. However, creating jobs is extremely expensive, and such artificially created jobs tend to expire after the strategic purpose of the work has been completed. So “jobs programs” do not provide a long-term solution to the deficiencies of Minimum Wage laws.

Rather, the only proven long-term solution for stabilizing labor markets is enacting a Price Support for Labor, which overcomes the weaknesses of Minimum Wage laws by using the Law of Supply and Demand to produce a Market Wage that exceeds the Cost of Living. The Price Support for Labor accomplishes this by purchasing the excess supply of labor so that the intersection point (i.e. Market Wage) of the supply and demand curves occurs at a point at or above the Cost of Living. Practically speaking, a Price Support for Labor directly pays potential

Misperceived Price Supports: How the GPRA led to the downfall of the American Middle-Class workers to not work or work less, which requires the government to spend money, but is much cheaper to implement and much more effective than “jobs programs” because the government pays much less for an individual to not work than it would pay that individual if employed in a jobs program.



**Figure 2. Supply Curves of Labor for Differing Wage Structures**

To explain how a Price Support for Labor functions in more depth, Figure 2 depicts the possible sets of supply curves for labor: 1) a middle class supply curve (where the Market Wage exceeds the Cost of Living), 2) a subsistence supply curve (where the Market Wage equals the Cost of Living), and 3) a poverty supply curve that requires the worker to incur debt to survive (where the Market Wage is below the Cost of Living). This author has asserted in Figure 1 that in the early 1900s, the U.S. supply curve of labor was a subsistence supply curve, but with the rapid technological advancements that had occurred by 1929, the U.S. supply curve of labor had shifted to become a poverty supply curve that required workers to take on debt for survival, and the painful conditions of the Great Depression occurred when access to avenues of incurring debt

Misperceived Price Supports: How the GPRA led to the downfall of the American Middle-Class were eliminated. Furthermore, this author asserts that the ultimate solution to the Great Depression was the enactment of a Price Support for Labor that elevated the U.S. supply curve of labor to a middle class curve, where workers could save money and grow wealth, by paying some potential workers to not work or work less. In showing how a Price Support for Labor does so, Figure 2 uses “delta” values to depict the relative number of work hours that must be purchased and retired (i.e. not worked) in order to shift between potential supply curves.

The genius of the FDR Administration was in recognizing that a Price Support for Labor was necessary to ultimately solve the Great Depression by immediately absorbing the massive number of workers displaced by technological advances, thus solving the “time lag” issue between the time a worker was automated out of a job and the time the overall market created new demand for that worker’s labor (which might never happen). In moving past federal jobs programs alone to enacting short-to-medium-term aid programs for working-age Americans (Unemployment Insurance and Disability Insurance) and enacting a long-term aid program for retirement-age Americans (Social Security retirement pensions), the FDR Administration created the obvious set of aid programs necessary to pay the excess labor supply to not work. However, knowing that technological advances would continue to displace even more labor in the future, as an act of true genius, the FDR Administration also enacted a long-term aid program for a subset of working-age Americans (poor mothers), disguising it as a charity program to satisfy social views of the time, but in the process, enabling the already enacted Price Support for Labor to remain effective in absorbing the excess supply of labor for decades to come.

This long-term, working-age aid program was Aid to Dependent Children (ADC), later renamed Aid to Families with Dependent Children (AFDC), and this program was the reason that the Price Support for Labor enacted by the FDR Administration functioned so successfully

Misperceived Price Supports: How the GPRA led to the downfall of the American Middle-Class for so long. Well after the 1930s, AFDC enabled the Price Support for Labor to continue to absorb the impacts of later technological advances, such as mainframes and personal computers, within the already enacted set of programs that comprised the Price Support for Labor. Sadly, this program was terminated and replaced with a non-Price-Support program, Temporary Assistance for Needy Families (TANF), in the 1996 Welfare Reform.

### **Price Supports as the Solution to the Great Depression**

Ultimately, to solve the Great Depression, the FDR Administration enacted Price Supports in various commodity markets, the most important of which was the Price Support for Labor enacted via the passage of the Social Security Act of 1935, which contained the Social Security and Aid to Dependent Children (ADC) programs that paid adults under certain conditions to work less or not work at all.

While many historians point to the nebulous social value of old-age pensions and aid to the poor as a “Social Safety Net” or otherwise credit such programs as having had a generalized palliative effect on the harsh conditions of the Great Depression, there is ample evidence that the FDR Administration enacted these New Deal programs not out of a general sense of goodwill or sympathy, but instead out of a shrewd understanding of the economic need for a Price Support for Labor to stabilize society as a whole. Such evidence includes:

- 1) The FDR Administration’s prior positive experiences with Price Supports for farm commodities,
- 2) The FDR Administration’s earlier failed attempt to correct conditions in the U.S. labor market via the National Recovery Administration (NRA), and



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3) The FDR Administration's later unwillingness to pursue additional social spending on programs that were non-essential (or even detrimental) to creating the U.S. Price Support for Labor.

By the time FDR entered office, foreign relief efforts had already proven their domestic value in implicitly creating price supports for farm commodities by purchasing excess supply of such commodities to send abroad (outside the U.S. food market) as food aid, thus buoying U.S. crop commodity prices domestically. Particularly, Herbert Hoover himself showed the value of purchasing excess supply of farm commodities when as head of the American Relief Administration (ARA), he spent millions of dollars allocated to the ARA by Congress in the Russian Famine Relief Act of 1921 (passed in December) to purchase corn and seed from U.S. farmers, then distribute that grain to war-torn European countries, especially during the Russian Famine of 1919-1923 (Fisher, 1935, p. 522). These actions produced a clearly positive effect on crop prices and farm income in the United States, bolstering the price of corn that had dropped from \$1.44 per bushel in 1919 to \$.46 per bushel in 1921 back up to a price of \$1.02 per bushel by 1924 (U.S. Department of Energy, 2021), by removing excess supply from farm commodity markets. These ARA efforts also had positive effects on the labor markets of the foreign countries receiving the food aid, as the ARA employed mostly foreign staff to distribute the food aid (creating foreign jobs) and, often, recipients of the food aid were required to spend time waiting in food distribution lines to receive the aid (essentially paying recipients the food aid in exchange for not working).

However, well into the late 1920s, improvements in yield due to technological advancements were generating large surpluses in crop commodities, precipitating collapsing prices, such that "In the late 1920's , there appeared to be a need for strengthening farmers

Misperceived Price Supports: How the GPRA led to the downfall of the American Middle-Class bargaining positions” (U.S. Department of Agriculture, 1955, p. 3). When efforts to grow demand for these surpluses proved insufficient, “prices continued to decline in the latter part of 1929” (U.S. Department of Agriculture, 1955, p. 3), and efforts were shifted to price stabilization by purchasing excess supply. However, for the Federal Farm Board, which was created in Agricultural Marketing Act of 1929, price supports that purchased and stored excess supply proved unworkable:

“These price stabilization actions were abandoned in 1932 after large stocks were accumulated. Most of the Board's funds were tied up. The Board had come to the conclusion that it was not possible to stabilize prices over a period of years in the face of a constantly accumulating surplus.” (U.S. Department of Agriculture, 1955, p. 3)

Subsequently, the FDR Administration passed the Agricultural Adjustment Act (AAA) of 1933, which sought to re-implement farm Price Supports as a system of acreage reduction, where farmers were paid not to produce on a set acreage of land. Under the AAA, “reliance was to be placed entirely upon production controls”, however:

“Within a matter of months it became clear that [...] control of acreage and livestock numbers was a relatively slow process -- one that would take some time to work itself out in terms of farm prices. The [Commodity Credit Corporation], therefore, was created under the President's emergency powers in the fall of 1933, and the first price support loans as we now know them were made on corn and cotton that fall.” (U.S. Department of Agriculture, 1955, p. 3-4)

Subsequently, under the Commodity Credit Corporation (CCC), “price support loans” paid some percentage of parity “to hold supplies from the market in years of plenty for storage and return to the market in years of reduced supplies” (U.S. Department of Agriculture, 1955, p.4), thus shifting the storage burden to the producer. As the U.S. Supreme Court ruled in 1936 that the AAA’s production control mechanism were unconstitutional, and subsequently, “when

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the large crops of 1937 were followed by [the Recession of 1937 to 1938], the Congress adopted the Agricultural Adjustment Act of 1938” (U.S. Department of Agriculture, 1955, p.4). This 1938 farm bill enacted mandatory price support loans for certain commodities, thus establishing “price support loans” and the primary instrument of the U.S. Department of Agriculture for stabilizing farm commodity prices.

Similar to how technological advances destabilized commodity prices in farming, comparable advances in industry also wreaked havoc on U.S. industrial and labor markets, producing pressure for government intervention. As Kennedy noted, by 1933, “[w]ith the economy prostrate and thirteen million people still unemployed, the pressure in [government] to take swift and dramatic action was growing irresistible” and President Roosevelt “had been casting about for some means to stimulate industrial activity” (Kennedy, 1999, p. 149-150). Many politicians understood the need to reduce the number of labor hours expected from employees and stabilize wages. However, Roosevelt “believed, correctly, that reducing the workweek without maintaining wages would simply punish workers by shrinking their paychecks” and that “to maintain wages while adding six million workers to the nation’s payrolls might bankrupt already faltering businesses” (Kennedy, 1999, p. 150). Eventually, the FDR Administration attempted to solve the dire conditions in the U.S. labor market via the National Industrial Recovery Act of 1933 (NIRA), which created the Public Works Administration (PWA), which managed a federal jobs programs aimed at building infrastructure and public works, and the National Recovery Administration (NRA), which sought to align (and even coerce) the forces of industry toward scheduled production in a planned economy. The hope was that by coordinating industrial efforts through the NRA, the government could “prevent unfair

Misperceived Price Supports: How the GPRA led to the downfall of the American Middle-Class competition and disastrous overproduction” (Kennedy, 1999, p. 151), thus benefitting both management and labor interests.

Subsequently, the NRA instituted “a vast process of government-sanctioned cartelization” that mandated that “production in whole industries would be controlled, and prices and wages would be raised, by government-sanctioned industrial compacts”, where “the antitrust laws were largely to be suspended” (Kennedy, 1999, p. 151). To organize this vast endeavor, the NRA operated under the leadership of Hugh S. Johnson, a former U.S. Army general. During World War I, Johnson had directed a division of the War Industry Board (WIB), namely the “Purchase and Supply Branch, representing the military purchasing bureaus to the various commodity sections of the WIB” (Kennedy, 1999, p. 178). Johnson undertook this new role “with missionary zeal and maniacal energy”, as “NRA regulators drafted some thirteen thousand pages of codes and issued eleven thousand interpretive rulings” (Kennedy, 1999, p. 179, 185). As the NRA pushed forward under Johnson, even though many business leaders appreciated NRA price controls that guaranteed them a profit in turbulent economic times, the NRA’s intrusiveness into the business world rankled many former supporters in industry. Eventually, the NRA “succumbed to a unanimous Supreme Court declaration of its unconstitutionality in May 1935 (Kennedy, 1999, p. 188).

Modern economists and policymakers have criticized the NRA for abandoning free market principles, noting the economic inefficiencies of scheduled production under a planned economy, which necessarily prevent markets from converging to a natural equilibrium. However, at the time, those same free market principles had yielded an economy teetering on the edge of collapse, and as the FDR Administration had already identified price supports as a successful tool for stabilizing markets facing excess supply, it seems likely that this administration sought

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to use the authority of the NRA to artificially create the benefits of a Price Support for Labor, but without actually directly paying potential workers to not work. And the only way that the FDR Administration could accomplish this goal was if it possessed the power to manipulate both the supply curve and demand curve for labor, which is what it sought to do under the NRA.

However, on such a large scale, the incentive for individual actors to cheat restrictions for their own personal benefit is immense, and this incentive to cheat is surely another factor that prevented the NRA from obtaining the FDR Administration's desired objectives for the program (Alexander, 1997, p. 323), necessitating a shift to a fundamentally different approach to solving the same problems.

After transitioning away from attempting to use the NRA's economic planning powers to approximate the effects of a Price Support for Labor, the FDR Administration subsequently enacted a formal (but disguised) Price Support for Labor via the Social Security Act of 1935, exhibiting tremendous growth in both its understanding of the underlying problems and its ability to craft solutions that would be acceptable to Congress. In describing the Social Security Act, FDR explained that "We can eliminate many of the factors that cause economic depressions, and we can provide the means of mitigating their result. This plan for economic security is at once a measure of prevention and a method of alleviation" (Kennedy, 1999, p. 270), indicating that he fully understood that a Price Support for Labor would not only solve the current economic conditions, but also prevent future economic depressions by stabilizing the real wages paid to workers, thus stabilizing the base of demand on which national economic activity depended.

The FDR Administration further revealed its shrewd approach to creating a Price Support for Labor by failing to enact universal public healthcare programs, even though a large portion of

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the Democratic Party constituency vociferously advocated for such programs. In the final bill, Kennedy noted that “health care had been dropped”, and in its place, only “modest sums for public health services” were allocated (Kennedy, 1999, p. 269, 271). From the economic perspective of an administration that was attempting to enact a Price Support for Labor under dire economic conditions, any government spending that reduced the labor pool was useful, but any government spending that enlarged the labor pool was counterproductive. Universal public healthcare programs function as the latter, as they prolong lives and increase health, thus increasing individual readiness for and ability to work. Given this situation, as well as the precarious conditions of the time, it is not surprising that the FDR Administration would prioritize spending that would enhance the effectiveness of the Price Support for Labor, even if that choice meant that some individual healthcare needs would go unmet.

Ultimately, after the passage of the Social Security Act of 1935, economic conditions in the United States stabilized, and the country slowly emerged from the shadow of the Great Depression with a new sense of optimism. As Kennedy noted, “for workers themselves, a poll in 1939 revealed that [...] when asked to which social class they belonged, 88 percent replied ‘middle’” (Kennedy, 1999, p. 322).

Subsequently, the need for mass produced war supplies created by the onset of World War II, as well as the foreign devastation that resulted from the events of the war, ensured that the United States would arise from the struggles of the 1920s and 1930s as an economic powerhouse in the 1940s (Kennedy, 1999, p. 363). But more importantly, to the benefit of individual wage earners, the Price Support for Labor enacted via the Social Security Act of 1935 ensured that workers would actually share in the economic benefits of this post-war economic boom for decades to come as members of a strong, stable U.S. Middle Class.

### **The GPRA-Inspired Drive to Minimize “Waste” and “Inefficiency”**

In the 1990s, widespread concerns that “waste and inefficiency in Federal programs undermine[d] the confidence of the American people in the Government” and that policy-making was “seriously handicapped by insufficient attention to program performance and results” (Government Performance and Results Act, 1993, Section 2(a)) rippled through American political circles. To allay these concerns, both major political parties sought to introduce modern managerial techniques from the business world, following the lead of GPRA architect John Mercer. Mercer had previously adapted such techniques for the management of the Sunnyvale city government in the state of California, and he was keen to introduce similar techniques into the management processes of federal agencies, fostering a vision of “performance-based, results-oriented government” (Mercer, June 19, 2001, p. 16).

As early as 1990, efforts started toward crafting legislation to modernize federal management processes, as “the genesis of GPRA as a specific piece of legislation began with a conversation [Jim Mercer] had with Senator Roth in January of 1990” (Mercer, June 19, 2001, p. 2). These efforts ultimately culminated in the passage of the Government Performance and Results Act of 1993 (GPRA), which introduced new strategic planning requirements for federal agencies and mandated adherence to those requirements by 1997 at the latest.

These new strategic planning requirements leveraged industry-standard business techniques around setting strategic goals, measuring progress toward those goals, and determining performance results based on that progress (or lack thereof). Particularly, federal agencies were required 1) to produce five-year strategic plans that included measurable goals, 2) to produce annual performance plans that described the expected progress toward specific goals over the course of the year and how such progress could be measured, and 3) to produce annual

Misperceived Price Supports: How the GPRA led to the downfall of the American Middle-Class performance reports that detailed the actual progress made over the year toward the agencies goals. To ensure that agencies were motivated to perform, the GPRA mandated that performance results would be used in determining subsequent year budgeting (Government Performance and Results Act, 1993). Later, the GPRA Modernization Act of 2010 reinforced these requirements for the purpose of ensuring compatibility with modern information technologies, mandating that these strategic planning outputs be easily accessible, searchable, and machine-readable.

Furthermore, the GPRA sought to use modern accounting techniques to imbue accountability down to the most granular level of program activity for showing adherence to the overall agency's strategic plan. To this end, the GPRA encouraged use of modern accounting systems that generated "cost per unit-of-result, unit-of-service, or other unit-of-output", so that "sophisticated performance-based budgeting" techniques could provide the type of "transparency [that] makes much clearer the efficiency and cost-effectiveness of government programs" (Mercer, June 19, 2001, p. 10).

However, while the GPRA established a performance management framework that mandated accountability and continual improvement, this framework was never intended to mandate the entirety of the changes necessary to accomplish its goals. Furthermore, fundamental change within many federal agencies, such as those administering entitlement programs, required further legislative action to accomplish. As the GPRA's original architect, John Mercer, explained in his 2001 Senate testimony:

"From the beginning, GPRA was intended to point the federal government in a particular direction toward a generally defined vision of improved government performance, and then to begin moving it down that road a ways toward fulfilling this vision. The law that was enacted in 1993 was not really expected to get us all the way there by itself. Subsequent reforms, either administrative or statutory, would likely be needed. GPRA [...] was not drafted to be a comprehensive reform." (Mercer, June 19, 2001, p. 2)



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Notably, many agencies within the federal government were established to serve a social need that was not obviously compatible with the GPRA style of management, and so John Mercer lamented from his perspective that “Too many federal managers still believe that GPRA does not apply to them and their responsibilities” (Mercer, June 19, 2001, p. 14). This was especially true of agencies that were responsible for administering entitlement programs, whose core purpose was to provide a guarantee to U.S. citizens, not to minimize cost or maximize efficiency of resource allocation. Also, changes to entitlement programs required legislative action by the United States Congress, so altering the administration of those programs was mostly beyond the purview of the GPRA alone.

And in the post-GPRA political landscape, it became obvious that such reforms were not only politically desirable, but inevitable. In the 1990s, both major political parties sought to attract voters by claiming commitments to the core values of “work” and “family”. As the Democratic Party shifted toward the middle in supporting the application of business concepts to government management with the enactment of the GPRA, the Republican Party swiftly moved even further to the political right-wing. Seizing on the criticisms of the federal government that justified the passage of the GPRA, Congressional Republicans, led by Newt Gingrich, crafted their latest pitch to voters in the Republican Contract with America of 1994. This political proposal promised, amongst other right-wing objectives, to audit the federal government, implement zero-baseline budgeting, and reform AFDC by enacting strict work requirements, child support enforcement rules, and initiatives to promote marriage (Republican Contract with America, 1994). These promises were based on ideological commitments to promote “personal responsibility” and discourage “dependency on government” and “laziness”.

## Misperceived Price Supports: How the GPRA led to the downfall of the American Middle-Class

In the wake of the GPRA and the Republican Contract with America, the two main entitlement programs that became targets for subsequent reform were Social Security and AFDC (previously ADC), which were both enacted under the Social Security Act of 1935 as part of the FDR Administrations Price Support for Labor. However, the types of reforms that were politically acceptable to voters at the time for these two seemingly different programs were completely dissimilar. AFDC, which was often portrayed as encouraging “dependency” and “laziness” and therefore as detrimental to the long-term self-sufficiency of poor families, was targeted for reduction and eventual elimination, with the goal of minimizing the cost of moving poor parents back into the workforce. However, Social Security, which was viewed as returning monies already paid into the system and was a policy priority of elderly voters (who themselves were a much sought after block of voters), was targeted for streamlining and simplification, thereby empowering the SSA to focus its fixed resources on fostering return to work for recipients of its Disability Insurance (DI) and Supplemental Security Income (SSI) programs, as both of those programs were political targets for eliminating waste, similar to AFDC. Efforts to reform these various programs were all grounded in the GPRA-compatible socio-political goals of minimizing “waste” and “inefficiency” in government programs, implementing “modernizations”, encouraging “personal responsibility”, and fostering “return to work”.

Additionally, it is worth noting that these same socio-political pressures also impacted Price Supports in farming. Particularly, the Federal Agriculture Improvement and Reform Act of 1996 discontinued the Acreage Reduction Programs (ARP’s) that served as “supply management programs for producers” (Young, 1996, p. 1) of traditional contract commodities, as this act “did not reauthorize authority for ARP’s” (Young, 1996, p. 22), as “federal budget costs were high and variable” and “ARP’s allowed foreign competitors to expand” (Young, 1996, p. 1). While

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the exact economic impact of this reform to Price Supports in farming is outside the current scope of analysis, it is also worth noting that this reform eliminated the types of acreage reduction Price Supports instituted in the 1980s U.S. Farm Bills (and periodically earlier) to reduce supplies and boost prices and generally incentivized U.S. farms to maximize production.

### **GPRA-Inspired Reforms to AFDC**

Although enacting wide-ranging structural reforms to AFDC would require new legislation, almost immediately after passage of the GPRA, government administrators sought to start the reform process by mandating modernizations in one particular area of flexibility under the existing law, Child Support Enforcement (CSE). Program administrators sought to improve program performance by holding non-custodial parents responsible for part of all of the expenses that were being incurred by the AFDC program. Particularly, the “Office of Child Support Enforcement was a GPRA pilot” that was launched to coordinate CSE efforts toward GPRA objectives (U.S. Department of Health and Human Services, January 1999, p. 33), immediately soliciting applications from specific CSE-related sites to be included as “pilot project sites [that] will prepare us for government-wide implementation of GPRA beginning in FY1998” (U.S. Department of Health and Human Services, September 13, 1995). David Gray Ross, the Deputy Director of the Office of Child Support Enforcement at the time, noted that he “invited state IV-D agencies to voluntarily start ‘practicing’ the GPRA principles [...] The response was enthusiastic [...] we have about 30 state GPRA demonstrations working in virtually all functions of the CSE program, locally, statewide, and regionally.” (U.S. Department of Health and Human Services, May 20, 1994).

It is important to note that when successful, CSE efforts shifted a cost from the government to the non-custodial parent. While ideologically, this may appear desirable to many

Misperceived Price Supports: How the GPRA led to the downfall of the American Middle-Class voters and politicians, under the economic goal of enacting a Price Support for Labor, these results were undesirable and counterproductive. In moving the custodial parent off welfare, these changes reduced the number of custodial parents whose work output was restricted via the income eligibility limitations for active AFDC recipients. Furthermore, as the non-custodial parent incurred a new expense, that parent would be incentivized to increase work output to cover that new expense. So the net effect of CSE-related efforts to reduce enrollment in AFDC was to increase overall parental work output, which functioned entirely contrary to the goals of enacting a Price Support for Labor.

Subsequently, CSE efforts proved insufficient to yield the type of large scale reduction in “wasteful” program outlays that were so prized under the GPRA management system. And with the 1994 advent of the Republican Contract with America, which sought to piggyback the same criticisms that originally justified the passage of the GPRA to even more extreme ends, legislative action was deemed absolutely necessary. In an effort to transform AFDC into the type of GPRA-compatible program that could fulfill the stated goals for reform by the 1997 deadline for strategic planning, Congress enacted the Personal Responsibility and Work Opportunity Act of 1996 (PRWORA), colloquially known as “the 1996 Welfare Reform”.

PRWORA replaced the entitlement welfare program implemented under AFDC with a block-grant program to be implemented under Temporary Assistance for Needy Families (TANF). Concerned that the “number of individuals receiving aid to families with dependent children (in this section referred to as ‘AFDC’) has more than tripled since 1965” and “between 1970 and 1991, the percentage of live births to unmarried women increased nearly threefold, from 10.7 percent to 29.5 percent” (Personal Responsibility and Work Opportunity Reconciliation Act, 1996, Section 101(5)), PRWORA sought to “encourage the formation and

Misperceived Price Supports: How the GPRA led to the downfall of the American Middle-Class maintenance of two-parent families” and “end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage”, while clearly specifying that “NO INDIVIDUAL ENTITLEMENT” exists and that PRWORA “shall not be interpreted to entitle any individual or family to assistance under any State program funded under this part” (Personal Responsibility and Work Opportunity Reconciliation Act, 1996, Section 401).

To reduce government expenditures and return existing AFDC enrollees to the workforce, PRWORA mandated that states provide “parents with job preparation, work, and support services to enable them to leave the program and become self sufficient.” Further, PRWORA directed states receiving funds to “[r]equire a parent or caretaker receiving assistance under the program to engage in work (as defined by the State) once the State determines the parent or caretaker is ready to engage in work, or once the parent or caretaker has received assistance under the program for 24 months”, “operate a child support enforcement program”, and “enforc[e] standards and procedures to ensure against program fraud and abuse” (Personal Responsibility and Work Opportunity Reconciliation Act, 1996, Section 402). Whereas AFDC had been an entitlement program first and foremost focused on paying benefits to poor families, under PRWORA, TANF was structured to move enrollees off the program and back into the workforce as soon as possible.

To this end, PRWORA enacted strict time limits, CSE cooperation requirements, work requirements, and income caps for recipients. PRWORA clearly articulated its maximum time limits by mandating that a state receiving block-grant funds “shall not use any part of the grant to provide assistance to a family if the family includes an adult who has received assistance [...] for 60 months” (Personal Responsibility and Work Opportunity Reconciliation Act, 1996, Section 408(a)(1)(B)), although states still retained the discretion to offer a smaller time limit for

Misperceived Price Supports: How the GPRA led to the downfall of the American Middle-Class eligibility for aid, such as the 24 month time limit chosen by the State of California. Furthermore, PRWORA established required penalties for insufficient CSE cooperation, requiring that if a state “determines that an individual is not cooperating with the State in establishing paternity or in establishing, modifying, or enforcing a support order”, that state “shall deduct from the assistance that would otherwise be provided to the family of the individual under the State program funded under this part an amount equal to not less than 25 percent of the amount of such assistance” (Personal Responsibility and Work Opportunity Reconciliation Act, 1996, Section 408(a)(2)(A)). These provisions served to deter new entrants to the TANF program by drastically reducing, relative to AFDC, the usefulness of TANF to a prospective beneficiary.

Once enrolled under the TANF program, the PRWORA work requirements and income caps sought to eject the new enrollee as soon as possible. Once enrolled, a beneficiary could not refuse work and still maintain eligibility, so when referred to any job by program administrators, a TANF beneficiary faced a situation in which, regardless of their choice to accept the job or not, that beneficiary would lose their TANF benefits. This situation was legislated in the provision that “if an individual in a family receiving assistance [...] refuses to engage in work”, the state shall “reduce” or “terminate such assistance” (Personal Responsibility and Work Opportunity Reconciliation Act, 1996, Section 407(e)(1)).

Further, in mandating work requirements, PRWORA set the level of work output required at a long-term (post-1999) minimum threshold of 30 hours per week, an amount of work hours that, at minimum wage, would commonly generate monthly income beyond the limits allowed for TANF enrollees, serving to automatically eliminate their benefits.<sup>1</sup> Specifically, the required work output in number of hours per week necessary for a parent to be deemed

Misperceived Price Supports: How the GPRA led to the downfall of the American Middle-Class compliant with the work requirement was 20 in 1997, 20 in 1998, 25 in 1999, and 30 thereafter, with stricter requirements of 35 hours per week for two-parent families (Personal Responsibility and Work Opportunity Reconciliation Act, 1996, Section 407(c)(1)).

Furthermore, in regards to enrollees that faced this evaporation of benefits and hence under-reported income, PRWORA heavily incentivized states to investigate and prosecute such enrollees by paying states bonuses for achieving program goals. In line with intent “that we may be on the road toward real performance-based budgeting” reflected in the earliest drafts of the GPRA and reflected in later applications of the GPRA (Mercer, June 19, 2001, p. 12), PRWORA mandated hard numerical requirements and performance metrics designed to measure progress toward meeting program objectives, and then used those requirements and metrics to reward high-performing states with financial bonuses. PRWORA mandated that states receiving funds meet minimum work participation rates for families receiving assistance of 25% in 1997, 30% in 1998, 35% in 1999, 40% in 2000, 45% in 2001, and 50% thereafter, with stricter requirements of 75% in 1997, 75% in 1998, and 90% thereafter for two-parent families (Personal Responsibility and Work Opportunity Reconciliation Act, 1996, Section 407). To incentivize states to meet such requirements, PRWORA directed that the Secretary of Health and Human Services “shall develop a formula for measuring State performance in operating the State program funded under this part so as to achieve the goals set forth” and “shall make a grant pursuant to this paragraph to each State for each bonus year for which the State is a high performing State” (Personal Responsibility and Work Opportunity Reconciliation Act, 1996, Section 403(3)(G)(4)).

The net effect of these PRWORA provisions, relative to AFDC, was to drastically reduce the number of new enrollees in the TANF program and drastically increase administrative efforts to deny aid to existing enrollees. While successful at the stated goal of returning AFDC/TANF

Misperceived Price Supports: How the GPRA led to the downfall of the American Middle-Class enrollees to the workforce, PRWORA provisions functioned entirely contrary to the economic concept of a Price Support for Labor, which requires paying a portion of the eligible workforce to not work or work less. In prioritizing the wrong goal relative to the overall well-being of the American workforce, PRWORA proved ultimately destabilizing to the U.S. Middle Class.

### **GPRA-Inspired Reforms to Social Security**

Although Social Security was far more popular with the American voting public than AFDC, efforts to implement GPRA-required strategic planning proved early on that the newly spun-off Social Security Administration (SSA) would struggle to implement meaningful changes under the existing rules of their various portfolio programs. In the absence of sizable increases in funding and staffing, program administrators struggled to articulate how they could address specific GPRA planning goals, indicating that some type of reform would be necessary.

In the General Accounting Office (GAO) letter critiquing the SSA's draft of its GPRA-mandated strategic plan submitted to the Congress on June 30, 1997, the GAO noted the challenges faced by the SSA in implementing this strategic plan, stating "SSA faces dramatic challenges in the future. Some of these include the long-range solvency of the Social Security trust funds, growing DI and SSI caseloads, increased workloads and integration of new technologies to process workloads and provide public service." (B-277406, July 22, 1997, p.3) Furthermore, the GAO offered a bleak outlook on the SSA meeting all of these challenges with existing resource and staffing constraints, noting "it is difficult to see how SSA will accomplish all of these initiatives, given its assumption of level funding and no growth in staffing levels." (B-277406, July 22, 1997, p.8)

Specifically, on the goal of "return-to-work" for DI and SSI recipients, the GAO encouraged more focus, noting: "If even 1 percent of the 6.6 million working-age SSI and DI



Misperceived Price Supports: How the GPRA led to the downfall of the American Middle-Class beneficiaries were to leave SSA's disability rolls by returning to work, lifetime cash benefits would be reduced by an estimated \$3 billion" (B-277406, July 22, 1997, p.14). Based on the importance of "return-to-work" for the SSA to meet its strategic and performance goals, the GAO offered the following critique: "SSA has begun some new operational initiatives to help people work, but the agency has not highlighted these measures in the plan and has no comprehensive strategy to ensure that the return-to-work agenda is supported throughout the agency." (B-277406, July 22, 1997, p.14)

The GAO further focused on potential for abuse and mismanagement in the SSI program specifically, stating: "In early 1997, after years of reporting on problems with the SSI program, we designated SSI as a high risk program because of its susceptibility to waste, fraud, abuse, and insufficient management." (B-277406, July 22, 1997, p.12) The GAO further noted the weakness inherent in the existing manual data tracking methodology used by the SSA for the SSI program, stating "However, since fiscal year 1991, SSA has reported its SSI, debt management system as a material weakness under the Federal Managers' Financial Integrity Act because it cannot identify overpayment amounts or collections related to those overpayments. As a result, SSA has developed a manual system to track overpayments and related collections, but manual systems can be less reliable and more prone to problems. In the absence of system improvements or enhancements, SSA may need to develop additional manual processes to gather reliable data needed for performance measures." (B-277406, July 22, 1997, p.17)

It is immediately obvious to anyone who reads the GAO letter critiquing the SSA 1997 draft strategic plan that the GAO did not believe the SSA could accomplish the goals of this plan under existing resource constraints, that the GAO advised the SSA to widely embrace the goal of "return to work" across the agency, and that the GAO heavily encouraged the SSA to focus its

Misperceived Price Supports: How the GPRA led to the downfall of the American Middle-Class limited resources on specifically fostering the goal of “return to work” within the DI and SSI programs. In doing so, it was apparent that the SSA would need to streamline the management of its other programs so that staff could be focused on this “return to work” initiative.

At the same time, political forces on both the American political right and left aligned in similar directions on the type of reforms to Social Security that would be acceptable to their respective political platforms and ideologies, embracing the goal of “return to work”. Particularly, both Democrats and Republicans pushed to reduce, and eventually eliminate, the Social Security retirement earnings test for earned income for recipients above full retirement age (FRA) that had served to dissuade Social Security retirement pension recipients from participating in the workforce. As a point of reference, this Social Security earnings test had previously mandated that “for every \$3 earned by a retiree over the established limit [...], the retiree loses \$1 in Social Security benefits”, where prior to enactment of the Senior Citizens’ Right to Work Act of 1996 (contained within the larger Contract with America Advancement Act of 1996), the “established limit” was “\$11,520”, but by 1998, this threshold had grown to “\$19,999.92”. (McCain, January 27, 1998)

On the Democratic side, President Bill Clinton noted that as early as 1992, “Vice President Gore and I campaigned on scrapping the [Social Security] retirement earnings test”, reflecting their “commitment to family and, increasingly, to work” and their view that “this is a genuine human rights issue”. In criticizing the retirement earnings test, President Clinton further remarked “Yet, because of the Social Security retirement earnings test, the system withholds benefits from over 800,000 older working Americans and discourages countless more—no one knows how many—from actually seeking work. It has long seemed senseless to me.” (The

Misperceived Price Supports: How the GPRA led to the downfall of the American Middle-Class American Presidency Project, April 07, 2000) Of note, this restrictive function of the earnings test is a necessary component of a Price Support for Labor, and so is actually very sensible.

On the Republican side, Senator John McCain noted that “Since coming to the Senate in 1987, I have been working to eliminate the discriminatory and unfair Earnings Test.” After mentioning the passage of his prior Senior Citizens' Right to Work Act of 1996, which had already nearly doubled the retirement earnings test threshold, Senator McCain noted that “most Americans are shocked and appalled when they discover that older Americans are penalized for working.” (McCain, January 27, 1998)

In specifically criticizing the Social Security retirement earnings test on the grounds of economic theory, Senator McCain stated “The Social Security Earnings Test is a relic of the Great Depression, designed to move older people out of the workforce and create employment for younger individuals. This is an archaic policy and should no longer be our goal because our nation's labor pool is shrinking.” He further doubled down on this perspective, stating “Mr. President, there is no compelling justification for denying economic opportunity to an individual on the basis of age.” (McCain, January 27, 1998) Of note, under ever greater technological advancement, the earnings test only grows more relevant as a necessary component of a Price Support for Labor, so there is compelling justification for the earnings test.

Clearly, both Democrats and Republicans agreed with these perspectives of President Clinton and Senator McCain, and under the viewpoint that limitations on work were outdated and modernizations fostering “return to work” were necessary, the Senior Citizens' Freedom to Work Act of 2000 passed unanimously in both the House and Senate and was subsequently signed into law by the President. This law eliminated the retirement earnings test for Social Security recipients after full retirement age (FRA), enabling the vast majority of retirees who

Misperceived Price Supports: How the GPRA led to the downfall of the American Middle-Class receive money from the SSA's general retirement pension program to work as much as they like without having their benefits penalized. Furthermore, this change freed up enforcement resources that were much sought after for improving the administration of the DI and SSI programs as stated in the 1997 critiques of the SSA's draft strategic plan offered by the GAO.

However, from the perspective of someone enacting a Price Support for Labor, the political criticisms of the Social Security retirement earnings test entirely missed the point. First, the reason for the shrinking labor force about which Senator McCain worried was clear: under a Price Support for Labor, as technological advancements automate human labor and so reduce demand for human labor, the only way to maintain a stable Market Wage that is consistently above the Cost of Living is to remove workers from the workforce by paying them explicitly not to work, or work less (which was the function that the Social Security retirement earnings test performed). Furthermore, this test did not apply solely on the basis of age, and so was not discriminatory. If an eligible person chose to opt-out of receiving Social Security retirement pension benefits, the earnings test would not have applied to them. So the earnings test was actually a condition of accepting Social Security benefits, regardless of retirement age. To make this point perfectly clear, if Congress had changed the Social Security full retirement age to 30 years old, then all Americans past the age of 30 who accepted retirement pension benefits would have been subject to the earnings test.

So in passing the Senior Citizens' Freedom to Work Act of 2000, Democrats and Republicans changed the rules of the Social Security retirement pension program to function entirely contrary to the economic concept of a Price Support for Labor. Rather than paying recipients of the SSA's general retirement pension program to not work and penalizing their benefits if they did work, after the passage of the Senior Citizens' Freedom to Work Act of 2000,

Misperceived Price Supports: How the GPRA led to the downfall of the American Middle-Class the SSA instead chose to remove any work output constraints for its largest pool of beneficiaries. This change, combined with efforts to push recipients of the DI and SSI programs back into the workforce, further enlarged the increase in commodity labor injected into the workforce by GPRA-inspired changes to entitlement programs enacted in the late 1990s, further destabilizing the U.S. Middle Class beyond what PRWORA had already accomplished.

### What was the True Goal of GPRA-Inspired Changes Instituted in the 1990s?

As the GPRA provides a framework for optimizing the pursuit of strategic goals, it is worth questioning if goals exist, whether pursued consciously or subconsciously, that fit the entirety of the set of reforms described above. Answering this question requires looking at the numerical data for what transpired before, during, and after the reforms addressed above.

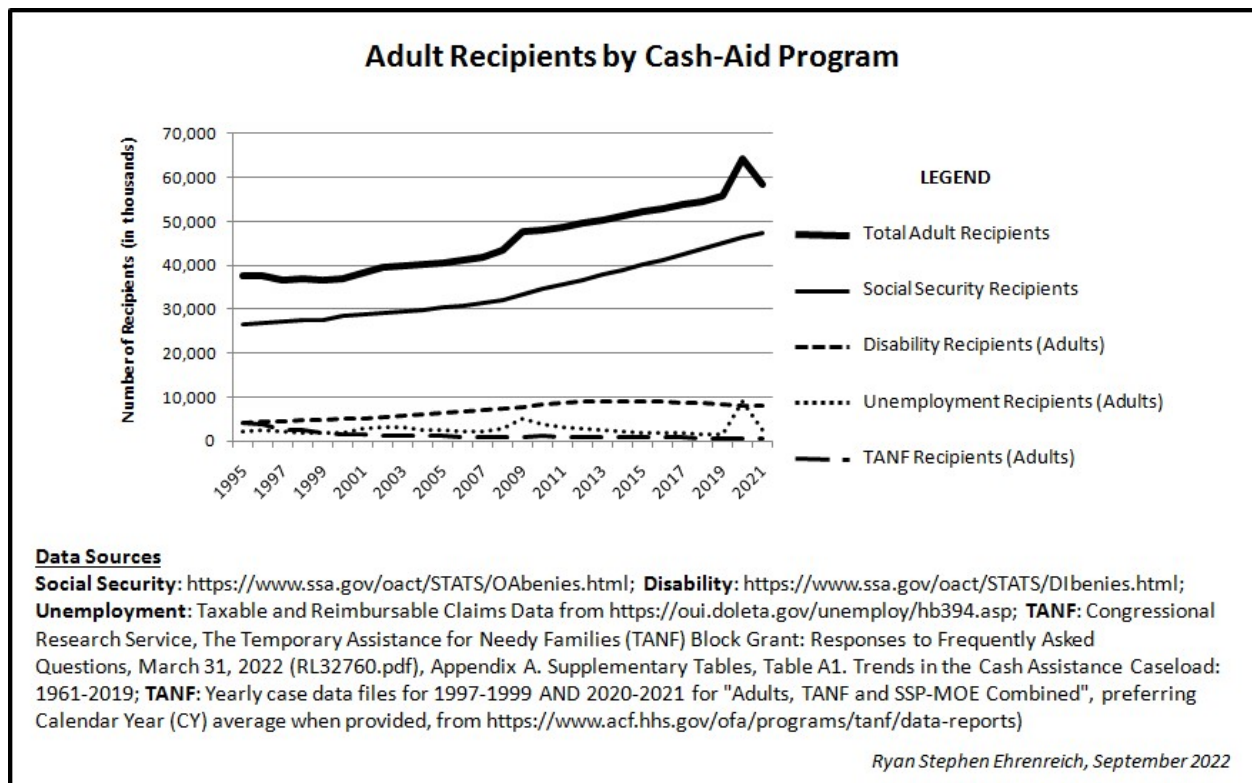
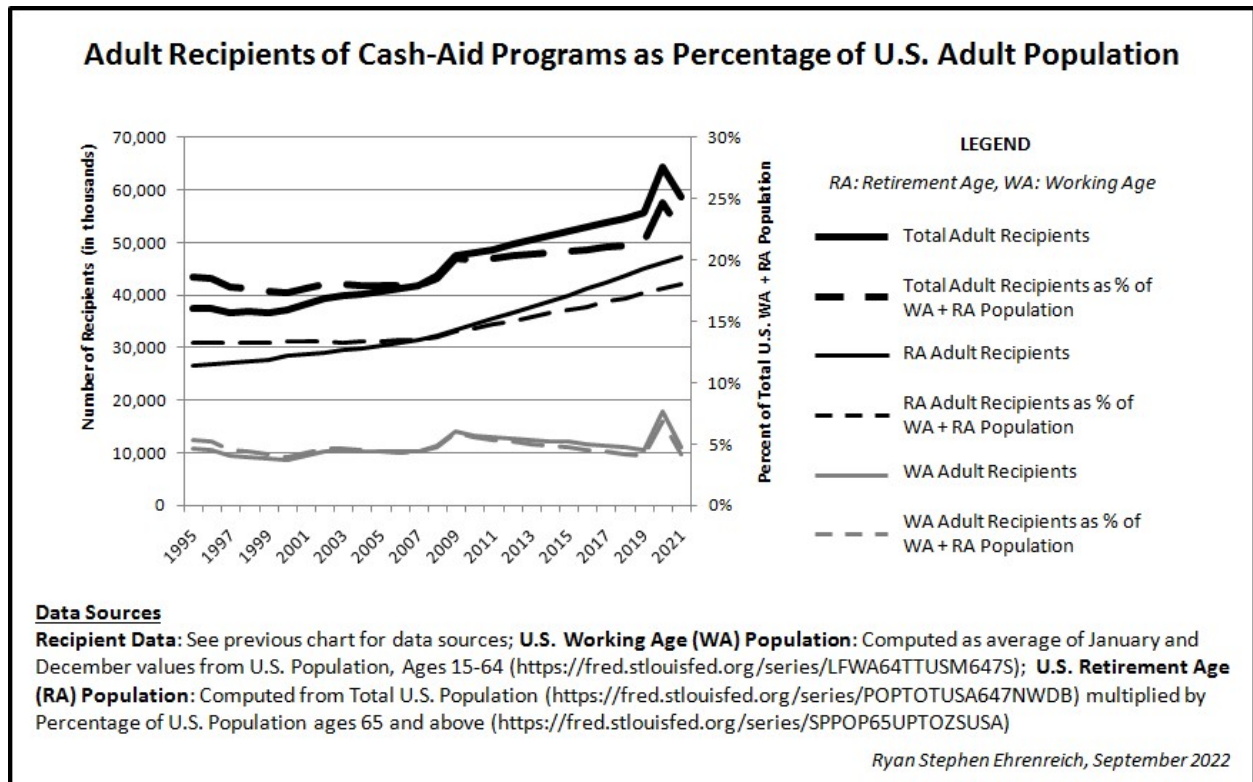


Figure 3. Adult Recipients by Cash-Aid Program

## Misperceived Price Supports: How the GPRA led to the downfall of the American Middle-Class

Figure 3 depicts the total number of adult recipients by primary U.S. government cash-aid program, ignoring SSI, as SSI often supplements benefits from these primary cash-aid programs. The number of adult recipients has risen rather smoothly for the last 27 years, except for a small drop in the late 1990s after the enactment of PRWORA and two later spikes in enrollment that are clearly attributable to the Great Recession of 2008 and the onset of the COVID pandemic in 2020. Of the two spikes, the former caused a permanent increase, indicating structural economic change, while the latter caused what seems to be a temporary increase, indicating it was the result of temporary COVID restrictions that shut-down businesses, but were later lifted.

While interesting, much of this data is not surprising, as the percentage of U.S. total population over the age of 65 has risen from 12.66% in 1995 to 17.04% in 2021. Therefore, it is reasonable to expect a corresponding rise in the number of adult recipients accessing primary U.S. government cash-aid programs. And as Figure 3 shows, the majority of the increase has occurred in the Social Security retirement pension program, which directly reflects the numerical rise in U.S. retirement age population. But retirement age population is also rising as a percentage of overall U.S. population, so further evaluation is warranted.



**Figure 4. Adult Recipients of Cash-Aid Programs as Percentage of U.S. Adult Population**

Figure 4 depicts the number of adults recipients grouped by working-age programs (TANF, DI, and Unemployment), retirement-age programs (Social Security), and all programs combined (i.e. total) as solid lines, as well as those numbers as percentages of the combined U.S. working-age plus retirement-age population as dashed lines. In regards to the previously discussed GPRA-inspired reforms of the late 1990s, this chart shows that increases in Social Security recipients were generally offset by decreases in recipients of working-age cash-aid programs, yielding a much flatter total number of adult recipients as percentage of the combined U.S. working-age plus retirement-age population (except for the two spikes already identified for the Great Recession of 2008 and COVID pandemic) than would have been the case without the enactment of those reforms.

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Given this result, the goal that best fits the results of the GPRA-inspired reform efforts of the late 1990s is the following: to maintain a constant percentage of adult cash-aid recipients relative to U.S. total adult population. A corollary goal also seems to be to encourage Social Security recipients to keep working to help fund the payment of their own benefits for as long as possible.

While sensible from an uninformed managerial perspective, these goals run entirely contrary to the goal of creating a Price Support for Labor, as the latter goal allows technological advancements to dictate the number of people who should be paid not to work. Therefore, it is no surprise that while the reforms of the late 1990s performed excellently in supporting these aforementioned goals related to program burden, they also caused a drastic decline in the stability of the U.S. Middle Class.

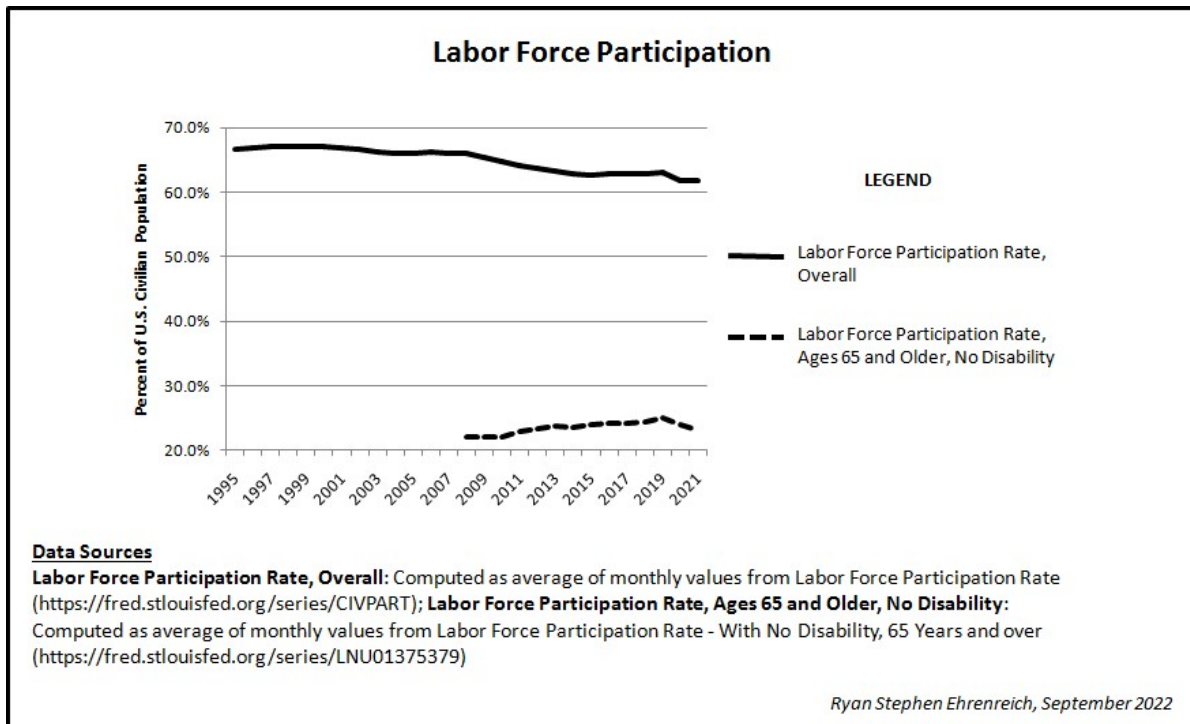
### **How GPRA-Inspired Changes Instituted in the 1990s Impact American Society Today**

Under the complimentary GPRA-inspired goals of reducing “wasteful” government spending and returning Americans to the workforce, belying an unstated goal of keeping the percentage of U.S. adults receiving government benefits constant, politicians in the 1990s enacted changes that drastically undermined or eliminated the specific conditional benefits that had previously comprised the U.S. Price Support for Labor. In place of these conditional benefits, those politicians offered either reduced or eliminated benefits under the goal of returning recipients to the workforce (AFDC reformed to TANF, and to lesser extent, reforms to DI and SSI) or unconditional benefits under the goal of empowering recipients to work (Social Security retirement pension and child tax credit), severely handicapping the ability of the U.S. Price Support for Labor to cultivate a stable Market Wage above the Cost of Living by removing adults from the workforce.



Subsequent to these changes, three pressing questions warrant analysis:

- 1) What was the impact of these changes on the U.S. Labor Market?
- 2) What, if anything, replaced the function of the U.S. Price Support for Labor?
- 3) What was the overall impact of this situation on real wages?



**Figure 5. Labor Force Participation**

As to the first question, Figure 5 depicts that around the year 2000, participation rates in the U.S. Labor Market peaked around 67%, then stood steady around 66% up to 2008, declined to below 63% through 2016, rose slightly above 63% in 2019, and finally dropped below 62% as the COVID pandemic set in. In regards to the participation rate specifically for those 65 years old or greater with no disability, Figure 5 depicts that this rate started around 22% in December 2008, then rose above as 25% through 2019, and finally declined to around 23% as the COVID pandemic set in (as this data is only available for a shorter duration of time).

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From a price support perspective, Figure 5 depicts reasonable behavior, as the years immediately following the enactment of PRWORA likely still benefited from the livable real wages for less skilled jobs that were previously maintained by the U.S. Price Support for Labor, as wider changes to the labor market would take time to reach equilibrium. However eventually, the Great Recession of 2008 reset real wages to a post-Price-Support equilibrium level, making such work less attractive to those who had other options, thus precipitating a decline in the overall participation rate. After the Great Recession, access to extended unemployment benefits offered a temporary Price Support, thus helping to maintain the post-recession decline in overall participation rate. As the Trump Administration cut benefits and increased work requirements, the overall participation rate experienced a slight uptick from 2017 to 2020, until the COVID pandemic led to a new relaxation of restrictions on benefits, thus decreasing the overall participation rate further. At the same time, the data shows that older Americans were either not exiting the workforce as they aged, or older Americans who were previously retired were reentering the workforce, or some mixture of both.

But understanding the true effects of these changes on the stability of the U.S. Middle Class requires examining what happened to the younger potential workers whose choice not to participate in the workforce must have caused the declines in overall labor force participation. From a Price Support standpoint, for labor participation rates to have declined since 2000, there must have been alternate mechanisms that absorbed those younger workers who were leaving or not entering the labor force. In the face of increasing economic uncertainty, those mechanisms would have offered younger workers something else to do other than work.

So to the second question, the mechanisms that replaced the function of the Price Support for Labor are obvious based on the macro-economic conditions in the U.S. today. Those

Misperceived Price Supports: How the GPRA led to the downfall of the American Middle-Class mechanisms are 1) increases in adults who live with their parents, 2) increases in felony convictions for benefits violations, 3) increases in payments from non-TANF working-age cash-aid programs (i.e. unemployment and disability insurance), and 4) increases in utilization of consumer debt (especially student loan debt). Moreover, one may argue that the entire issue of mass incarceration has functioned as a mechanism that replaced the U.S. Price Support for Labor because potential workers have been removed from the workforce and instead housed indefinitely in jail. However, discussion of the wider issue of mass incarceration is beyond the current scope of analysis.

In regards to increases in adults who live with their parents, the percent of U.S. population residing in multigenerational households has risen steadily from roughly 14% in 1995 to 18% by 2021, where 45% of parents living with adult children paid all costs for the household and 30% of adult children paid no costs (Pew Research Center, March 24, 2022). Additionally, while the data does show a sizeable spike in this rate after the Great Recession of 2008, that same data does not show a spike for the COVID pandemic, indicating that this increase is mostly attributable to economic factors, as other data points corroborate. Additionally, by 2014, a larger share of 18 to 34 year olds was living with their parents (32.1%) than were living with a spouse (31.6%), representing the highest peak since 1940, when 35% of 18 to 34 year olds lived with their parents (Pew Research Center, May 24, 2016). In absence of a Price Support for Labor, adult children have opted to instead reduce the cost of living by residing with their parents, artificially increasing the relative value of any wages earned from work.

In regard to increases in felony convictions for benefits violations, federal and state governments release sparse numerical data on this topic, so offering exact figures is not possible. Still, a review of the available information indicates that, after the enactment TANF, California

Misperceived Price Supports: How the GPRA led to the downfall of the American Middle-Class prosecutors would likely pursue Welfare Fraud felony convictions when presented evidence of as little as a couple thousand dollars in overpayments to the recipient (California Department of Social Services, February 10, 1999). Based on the range of maximum aid grants for a California single-parent family with one child of \$336 to \$392 per month, such a threshold could be exceeded in as little as 6 months. For a family containing a larger number of children, such a threshold could be exceeded in 2 to 3 months.

As to the number of Welfare Fraud convictions that have occurred under TANF, which incentivized greater enforcement efforts to reduce program expense, the government seems to not publish that specific statistic. However, noting that there were 7,633 CalWORKS (TANF) investigations referred to the Orange County District Attorney in 2008 (Fraud Made Easier: A Study of Fraud Prevention and Eligibility Screening of CalWORKS Recipients, 2009-2010 Orange County Grand Jury) and that Orange Country contains  $(3.17 / 39.35) = 8.1\%$  of California's population (U.S. Census Bureau, 2020), it is reasonable to estimate that that 94,750 referrals occurred statewide in 2008. If such a number has remained relatively constant over the course of the 25 years since the inception of TANF, which seems likely because the TANF program heavily incentivizes enforcement activities, it is likely that over 2 million referrals have occurred in California alone in that time span. Given that referral only occurs when evidence of fraud has already been collected, it is likely that many, if not most, referrals result in conviction, and so it is therefore reasonable to assume that, nationwide, there have been millions of Welfare Fraud convictions under TANF since 1997.

Whereas AFDC paid poor single mother to not work or work less indefinitely, for those who evade the strict TANF work requirements by underreporting income, TANF pays those parents for a few month before prosecuting them for Welfare Fraud. Such a Welfare Fraud

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felony conviction functions as a Price Support in two ways: 1) a felony conviction immediately disqualifies a job seeker from even the most basic of jobs types and 2) any time spent in jail directly removes the convicted person from the labor market for that duration. So instead of paying people not to work, Welfare Fraud felonies prevent potential workers from working without actually paying them, instead saddling them with tremendous debts for restitution and legal expenses that severely diminish their long-term economic well-being.

In regard to increases in payments for unemployment and disability claims, there are two ways this occurs: 1) increases in number of claimants or 2) increases in duration of benefits. For unemployment benefits, as mentioned prior, the data from the chart above titled “Adult Recipients by Cash-Aid Program” clearly shows spikes in claims under poor economic condition, such as the Great Recession of 2008 and the onset of the COVID pandemic in 2020. Additionally, in regards to increases of duration of benefits, in November of 2009, the Obama Administration extended unemployment benefits by 20 weeks (Los Angeles Times, Obama signs unemployment benefit extension, November 6, 2009). Later, in July of 2010, the Obama Administration extended long-term unemployment benefits to 73 weeks (which occur after the 26 weeks of state-funded benefits have expired), yielding a total of 99 weeks of unemployment benefit eligibility (SHRM, President Obama Signs Unemployment Benefits Extension, July 22, 2010).

For disability, Figure 3 depicts an increase in disability recipients that mirrors the decrease in TANF recipients since 1995. Whether this change is causally connected or not is unclear, as such change may be purely indicative of an aging workforce that is more prone to injury. Still, it is possible that some workers, when faced with deteriorating real wages, grow more likely to report new injuries or to try to use existing physical conditions as justification for

Misperceived Price Supports: How the GPRA led to the downfall of the American Middle-Class disability benefits. Regardless, the increase in weeks of benefits paid under the disability program has increased substantially since 1995.

While not as effective as establishing a formal, long-term Price Support system, temporary cash-aid benefits did serve the purpose of paying recipients to remain out of the workforce, which does fit the Price Support construct. Extensions to these benefits programs under the Obama Administration positively benefitted the labor market as a whole, but were largely discontinued under the Trump Administration, which prized record low unemployment over gains in real wages.

In regard to consumer debt, total U.S. Consumer Debt has risen from slightly above \$1.01 trillion in 1995 to roughly \$4.63 trillion in 2022 (U.S. Board of Governors of the Federal Reserve System, Consumer Credit Outstanding, August 5, 2022), more than quadrupling in that time span. Even more telling, in 1999, student loan debt totaled \$90 billion (The Atlantic, Chart of the Day: Student Loans Have Grown 511% Since 1999, August 18, 2011), but by 2022, the total had risen to \$1,747 billion (Board of Governors of the Federal Reserve System (US), FRED, 2022, SLOAS), which is almost 20 times (2,000%) greater than the 1999 total. Such substantial increases in consumer debt levels above the rise expected by inflation indicate a structural problem facing the entire country.

So what is the reason for such a huge rise in student loan debt (and other forms of consumer debt)? In absence of a Price Support for Labor, real wages for unskilled labor have deteriorated well below the true cost of living toward a wage structure that requires workers to take on debt to survive, so more young people feel pressure to attend college. Hence, U.S. colleges produce more graduates than the labor market needs for skilled labor, causing real wages for skilled labor to also deteriorate, thus increasing the difficulty for graduates to pay back

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their student loans. If the U.S. government paid some working age people to not work or work less, then real wages for unskilled labor would improve, less young people would go to college, wages for skilled labor would improve, and this unsustainable rise in student loan debt would cease.

Finally, it is important to evaluate the impact of this entire situation on real wages paid to employees in the U.S. labor market. Traditionally, economists have calculated real wages by using the Consumer Price Index (CPI) to adjust nominal wages to reflect the cost of living. As CPI is based on quarterly surveys of only “24,000 consumers from around the country” (U.S. Bureau of Labor Statistics, 2022), the U.S. Bureau of Labor Statistics has noted various limitations of the index in both measurement and application, including sampling error. However, more importantly, CPI “represents all goods and services purchased for consumption by the reference population” (U.S. Bureau of Labor Statistics, 2022), so it does not reflect the effects of the long-term indebtedness experienced by many consumers.

In a society that replaces direct payments to working-age Americans for the purpose of not working or working less under a Price Support for Labor instead with high levels of consumer debt and debts for restitution, CPI will not accurately account for the ongoing costs of these debts in the computation of real wages. Moreover, the servicing costs and negative credit rating effects of these debts will continue to drag down true real wages because the wages paid for a given period of work must be partially allocated towards the ongoing costs for debts incurred in prior periods. Furthermore, as true real wages decline, borrowers will likely decrease the percentage of their income that they apply toward servicing already incurred debts, as they will need the money instead to fund current expenditures. This situation is reflected in the fact that even as consumer debt levels have drastically increased (as described above), the percentage

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of household disposable income used for debt service has actually decreased from 13.17% in Q4 2007 to 9.85% by Q1 2020 (Board of Governors of the Federal Reserve System (US), FRED, 2022, TDSP), indicating increasing financial strain and decreasing creditworthiness among the indebted portion of the population.

For Americans below the full retirement age, there is no longer any way to voluntarily reduce work output and legally supplement the loss of income with subsistence-level government aid. Without such a mechanism, real wages for laborers have deteriorated to a level where less than 40% of Americans could afford a \$1,000 emergency expense (CNN Business, 2021). Furthermore, without a functional Price Support for Labor, American workers will continue to experience tremendous uncertainty and distress, as future technological advancements further reduce the need (and consequently the real compensation) for their labor.

## **Conclusion**

While the GPRA itself contained many sensible provisions, the overall political environment that enacted the GPRA in the early 1990s presents a cautionary tale for the future of American politics. In the race to capture the allegiance of mainstream voters, Democrats shifted their policies toward the middle. In reaction, Republicans shifted their policies even further to the political right. In essence, policy proposals became popularity contests, catering to the desires of wealthier classes of Americans who vote consistently.

As this political shift unfolded, politicians did not expend the necessary effort to figure out how existing policies actually worked. Instead, they took the economic strength of the status quo as a product of their own modern policies, rather than attribute much of the strength to the Price Support for Labor enacted in the Social Security Act of 1935. In erring so, they set the wrong goals, and those wrong goals were magnified by the provisions of the GPRA that sought



Misperceived Price Supports: How the GPRA led to the downfall of the American Middle-Class to optimize planning and resource allocation toward the attainment of those goals, eventually resulting in the destruction of the very mechanisms of the Price Support for Labor that had previously protected the average American from economic instability, and even destitution.

With the onset of the COVID pandemic, as temporary relief measures have been enacted, government aid programs have grown much more responsive to the economic needs of poorer Americans. Still, the U.S. is faced with major decisions as to how the country moves forward economically toward a more sustainable future.

In order to move forward as a country in a positive economic direction, where all classes and races are able to benefit from economic growth, it is absolutely necessary to change direction from the Socialist inclinations of the modern Democratic Party and the obstructionist inclinations of the modern Republican Party. Instead, the current economic situation calls for a new, fairer, more sustainable Price Support for Labor that can correct the imbalances created over the last quarter of a century in which the country has lacked a Price Support for Labor.

Rather than spending massive amounts of debt on giving every American the same healthcare and the same child tax credit, the United States must learn from the past and enact Price Support mechanisms to solve the economic problems facing the country. In terms of a Price Support for Labor, it is important to create a new system that no longer disguises programs to suit social views, but that instead uses undisguised programs to pay certain groups of Americans not to work or work less based on a good reason.

Specifically, for a Price Support for Labor to replace AFDC and TANF, this author recommends a program that sets a maximum work output per week of 40 hours per week per enrollee (Ehrenreich, August 31, 2020) and pays enrollees for a maximum of 20 hours per week not worked, where the rate of payment for hours not worked improves over the standard rate

Misperceived Price Supports: How the GPRA led to the downfall of the American Middle-Class when the enrollee works, or verifiably attempts to work, 20 of the 40 hours per week (Ehrenreich, February 18, 2022). Importantly, under such a system, there remains an incentive for all enrollees to work part-time in order to stay work-force-relevant and grow their job skills.

Also, for Social Security reform, this author advocates flattening the widely disparate payment tranches and transitioning the program to a formal Price Support structure that pays per potential work hour not worked, up to 40 hours per week (Ehrenreich, August 31, 2020).

Additionally, this author advocates creating new aggregate-level earnings tests for both earned and unearned income, applying the rationale that unearned income still requires some level of management or oversight work from the recipient, so that these tests may serve indirectly as means tests for the Social Security retirement pension program.

Additionally, for healthcare, this author advocates replacing Medicare and Medicaid with a system of government-funded, but privately-run healthcare plans that replace the concept of the “copay” instead with lifetime personal caps on per person government spending, so as to incentivize individual patients to bargain for better prices, resulting in downward price pressure in the healthcare industry (Ehrenreich, August 31, 2020). Also, this author advocates for the possibility of extensions to the lifetime personal cap for certain catastrophically ill groups of patients.

Additionally, in regards to agriculture, this author does not profess to be an expert on that subject, but nevertheless, it seems that the elimination of Acreage Reduction Programs (ARP’s) has coincided with a significant decrease in financial stability for family farms. In order to offer a program similar to ARP’s to U.S. farmers and still maintain the world food supply, this author suggests the development of new varieties of agricultural commodities (e.g. corn and wheat) that require much less resources (e.g. water and fertilizer) to produce, but also yield a clearly lower

Misperceived Price Supports: How the GPRA led to the downfall of the American Middle-Class quality end product (e.g. product with inferior taste and texture). With such varieties, land that would have been idled via ARP's could instead participate in growing food supplies that are clearly inferior from the viewpoint of markets in developed societies, but could still ably serve the urgent need for nourishment in developing countries.

Finally, this author recognizes that many of the Welfare Fraud convictions that occurred under TANF were due to financial need. Faced with a system that was designed not to pay benefits, that was instead designed to require an amount of work output from recipients that would make them ineligible for benefits based on their sparse income, where that sparse income amount is not enough for a family to live on, it is no surprise that many TANF recipients underreported income so they could maintain some level of benefits from the program. This author recommends reviewing all past Welfare Fraud convictions under TANF and pardoning any such Welfare Fraud felonies where the amount of underreported income was such that it indicated a reasonable financial need.

By reorganizing United States government services toward Price Support systems, all Americans can regain the financial security that comes with both a stable Middle Class, and a government-stabilized Poorer Class. This is the key to uplifting the hopes and dreams of individual Americans and building a better future.

## Notes

- 1) The author's CalWORKS benefits calculation under 2019 rules (using information from [https://ca.db101.org/ca/programs/income\\_support/calworks/program2.htm](https://ca.db101.org/ca/programs/income_support/calworks/program2.htm)) for a single-parent family with 3 children indicates that for Region 1 benefits cease around \$1485 in gross income and for Region 2 benefits cease around \$1415 in gross income. Given an employee was paid California 2019 minimum wage of \$12 per hour worked for 30 hours

per week for 4 weeks in a month, that employee would earn \$1440 in gross income for the month. Given this analysis, a parent meeting the CalWORKS work requirement would be unlikely to receive much, if any, aid.

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## Glossary

- **Cost:** An amount spent in production of a good or service.
- **Cost of Producing:** The total of all costs incurred in production of a good or service.
- **Demand:** The quantity of a good or service desired for purchase at a given price.
- **Elastic Demand:** Occurs when demand is responsive to changes in price, such that a given change in price produces a noticeable change in quantity demanded.
- **Inelastic Demand:** Occurs when demand is unresponsive to changes in price, such that a given change in price produces a negligible change in quantity demanded, if any.
- **Market Price:** The price for a good or service that is determined by the intersection point of the Supply Curve and Demand Curve for that good or service.
- **Nominal Price:** The price of a good or service stated in currency value at the time the purchase transaction occurs.
- **Price:** The amount paid for acquisition of a good or service.
- **Price Control:** A legally mandated restriction on the price of a good or service that either directly sets the price to be paid or sets a minimum price that must not be undercut.
- **Price Support:** An economic scheme under which a third party (usually a government) purchases either the already produced excess supply or the capacity to produce future excess supply for a good or service for the purpose of stabilizing the Market Price for that good or service above the Cost of Producing that good or service.
- **Real Price:** The price of a good or service adjusted to reflect the purchasing power paid for that good or service.
- **Supply:** The quantity of a good or service offered for sale at a given price.