MISCELLANEOUS TEXT (FEC Form 99)

NAME OF COMMITTEE (In Full)
RYAN 4 PREZ

FEC IDENTIFICATION NUMBER
C00703512

Mailing Address 6241 FREEDOM LANE

City CITRUS HEIGHTS
State CA
ZIP Code 95621

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Federal Election Commission (FEC)
Reports Analysis Division
1050 First Street, NE
Washington, DC 20463

(Part 5 of 6)

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 SSAs 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, 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
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 3shows, 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.
Given this result, the goal that best

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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).

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

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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 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 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

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(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 Californias 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 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 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

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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 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 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.