The Economic Ferocity of Policy

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Abstract

Each day, as the Dow Jones rises and falls, Congress similarly passes and fails legislation. These two seemingly continuous cycles intersect to the point that the two structures appear affixed. For centuries, this has posed an age-old question: is it policy that influences the economic system or is it the economic system itself that molds policy decision-making? Renowned economist Adam Smith is famous for his works detailing the autonomous nature of the economic system. Smith views policy as only a small roadblock in the master strategy of the economic flow of life. The Great Depression and the 2008 Recession, however, paint a vastly different picture of the relationship between policy and the economy. Policy, as observed at the local level through zoning, the state level through taxes, the federal level through spending programs, and the international level through trade policies, immediately and forcibly manipulates economic systems to the chagrin of the invisible hand. It is the actions of the political structure that set the scene for unprecedented economic gain or devastating recessional collapse.

The Economic Ferocity of Policy

April Fifteenth. To non-Americans, this is a typical Spring Day. Bright blue skies, a slight breeze, with stereotypical April showers to follow. In America, however, April Fifteenth is a day that citizens dread, and accountants despise even more. Tax Day, as it is often referred to, symbolizes the annual event in which citizens most strongly experience the policies enacted by their elected officials. A positive view of government officials appears when tax cuts result in high tax returns. Opinions take a nose-dive, however, when regulation and policy lead to heavier tax burdens on average citizens. Tax Day appears to be the epitome of government intrusion into the economy; The larger the tax burden, the less cash citizens have to spend elsewhere in the American economy. What goes unnoticed, however, are the daily interruptions that policy introduces to the free-market capitalistic system the Founders once longed for, starting at the lowest level of governance.

Policy in Local Governance

Local government is the most overlooked sect of American governance. Citizens underestimate the power that Board of Supervisors, school boards, and local legislatures have on the economic condition of their locality. In 2019, Kriston Capps wrote for Bloomberg commenting that, "in 15 of the 30 most populous cities in the U.S., voter turnout in mayoral elections is less than 20 percent".[1]Across the country, states big and small have noticed this trend as well. Using Montgomery County, Pennsylvania as a case study, the 2020 Presidential election brought out 513,395 voters, creating a turnout of 84.27%.[2] Only a year prior, the election of 2019, which consisted of municipal and 'lower-attention' seats, demonstrates a drastic shift in polling. Just 213,307 voters came out to vote, leading to an upsetting 37.90% turnout percentage.[3] Montgomery County is only a glimpse at how disconnected voters become when a national seat is not at stake.

Ignorance to the power of local government threatens the economic stability of American towns across the nation. The political structure of American government creates a trickle-up system of policy which influences the economy each step of the way. Local government, while often overlooked, has vast amounts of power primarily through their control of local zoning regulations. Typically, a locality will have a legislative body, sometimes called Board of Supervisors or Board of Commissioners, which creates and passes policy. In most localities, these legislators appoint members of the locality's zoning board. Zoning boards determine land-

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[1] Kriston Capps, "In the U.S., Almost No One Votes in Local Elections," *Www.bloomberg.com*, last modified November 1, 2016, https://www.bloomberg.com/news/articles/2016-11-01/almost-no-one-votes-in-mayoral-elections-in-the-u-s.
[2] Montgomery County, *Election Summary Report* (PA Voter Services, November 3, 2020).
[3] Montgomery County, *Election Summary Report* (PA Voter Services, November 5, 2019).

use ordinances throughout their jurisdiction, grant or deny permits, and grant or deny appeals or special permissions.

At first glance, this role appears tedious and unimportant. In actuality, the economic consequences of these zoning decisions can make or break the economic development of a town. As the Urban Institute explains, "[local zoning and land-use] regulations not only shape what can be built but also can be used to mitigate potential harm, such as gentrification and the loss of affordable housing".[4] This responsibility also gives zoning boards the right to dictate if land use ordinances allow commercial, 'store-front' businesses at all. A rural town's zoning board might deny any projects that aim to create a bustling main street or central strip. This could be done through the denial of centralized commercial permits in order to preserve the character of the town. In a similar dilemma, a locality might deny a proposal for a park in a desirable part of downtown in order to make room for more businesses. Whichever way a zoning board votes, its decision sets the tone for the economic development of the locality it serves.

The most constructive task the zoning board has, however, is the task of approving commercial zoning, which includes rulings regarding the businesses it allows to exist in a certain area of a locality. The choices, or policies, of zoning boards in this regard dictate the type of economic development that their locality will experience. In recent years, as Allen Harris explains, the chief issue facing municipal zoning boards is the attraction of 'amazonification.' The COVID-19 pandemic removed the ability for small businesses or 'Main Street U.S.A' to thrive. This alteration of commerce catalyzed the appeal of commoditization. Harris expounds that "the shift in competitive advantage favors those businesses that make it easy for consumers to shop from their phones, which often leaves out local shops".[5]

Localities must face a difficult challenge in this new age of commercialization. Store-front shops are dwindling while the fast-paced, delivered-to-the-front-door business model of Amazon and Walmart have triumphed. This dilemma is where local zoning affects the commercial ventures of a town or locality. The economic power of a town can shift drastically if the local zoning board decides to start approving Amazon warehouses over brick-and-mortar shops. Or even if the zoning is not necessarily competition, the presence of larger chain stores will threaten the livelihoods of smaller businesses who find it hard to rival box-store prices. Not only does this change the type of cash flow coming into the local economy but it also affects the demographics who seek out residence in these areas. Larger commercial warehouses create a plethora of new job opportunities but might decrease the attraction of the town for families who desire the appeal of 'Main Street U.S.A.' Thus, while employment is high, the lack of comradery and permanence may affect the longevity of the town's survival.

Kaveh Waddell of *Consumer Reports* investigated the ramifications of "amazonification" through a case study of the Gage Park neighborhood in Chicago. As Waddell writes, the Gage Park "neighborhood is one of hundreds across the U.S. where Amazon's dramatic recent

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[4] Solomon Greene, Ruth Gourevitch, and Brady Meixell Meixell, "Opportunity Zoning," *Urban Institute*, last modified July 26, 2019, accessed September 9, 2022, https://www.urban.org/features/opportunity-zoning.

[5] Allen Harris, "Mind Your Business: The 'Amazonification' of America," The Berkshire Eagle, November 28, 2020, https://www.berkshireeagle.com/business/allen-harris-mind-your-business-the-amazonification-of-america/article_00dd2636-2dd3-11eb-86c3-c34032bc0723.html.

expansion has introduced huge commercial operations."[6] It is this development that shows the sweeping influence local zoning policy has on communities. As Waddell explored, "Amazon operates many warehouses in areas zoned for industrial use, where land is cheap."[7] Thus, even though the presence of these warehouses is not a direct result from commercial zoning, it still affects commercial economy just as much. By allowing these warehouses to operate out of their locality, zoning boards must confront the modern question: is local convenience worth the loss of local character? The answer to this question dictates the survival of a locality both in economic expansion and in its identity as a unique community.

Policy in State Governance

The American system of governance exists in a hierarchical system of influence. A step above the decisions of local zoning boards come the more far-reaching choices of state governments. Given their more expansive scope, state policy traditionally has a more tangibly felt impact on the lives of citizens. Since economic policy at the state level is directly funded by property and income taxes, it is much more noticeable to the average citizen when tax season rolls around, and paychecks are collected. State government manipulates economic trends through tax collections, subsidies, and tax collection. The direction of funding is what allows States to have wide-reaching influence over the economic condition of their jurisdiction.

The Framers of the Constitution understood the great power of direct taxation. They understood that the ability to tax an item is almost as valuable as the item itself. Alexander Hamilton articulated in *Federalist 12* the political importance of taxation and excises:

> If these remarks have any foundation, that state of things which will best enable us to improve and extend so valuable a resource must be best adapted to our political welfare. And it cannot admit of a serious doubt, that this state of things must rest on the basis of a general Union. As far as this would be conducive to the interests of commerce, so far it must tend to the extension of the revenue to be drawn from that source. As far as it would contribute to rendering regulations for the collection of the duties more simple and efficacious, so far it must serve to answer the purposes of making the same rate of duties more productive, and of putting it into the power of the government to increase the rate without prejudice to trade.[8]

State economic policy, by regulating which programs receive funding, support, or freedom, influences the economic trajectory of the whole state. This has traditionally led states to discover their economic 'niche' in which they centralize their economic endeavors around. The primary means by which a state does this is through tax-funded subsidies or protective tariffs against foreign competition. A state will protect the industries that are most profitable, even at the expense of other parts of society. The most notable examples are found within the manufacturing industry.

Jay Garg summarizes the findings of Fred Hochberg in his writing for the Harvard Political Review, explaining that "in general, Hochberg indicates that the [states] that have been most

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[6] Kaveh Waddell, "When Amazon Expands, These Communities Pay the Price," *Consumer Reports*, last modified December 9, 2021, https://www.consumerreports.org/corporate-accountability/when-amazon-expands-these-communities-pay-the-price-a2554249208/.

[7] Ibid.

[8] Alexander Hamilton et al., *The Federalist* (Indianapolis: Liberty Fund, C001, 2001), 56–57.

detrimentally affected by the short-term repercussions of trade — Ohio, Pennsylvania, Michigan, and Wisconsin — also happen to be battleground states, states that wield disproportionate influence in the American electoral system. Consequently, policy tends to be drastically skewed by the interests of existing industries within those few states, leading to protectionist policy."[9]

Pennsylvania is a fitting archetype to explain Garg's observations. The American Iron and Steel Institute investigated Pennsylvania's steel and iron manufacturing industry in 2021. This report testified that "the economic engine of iron and steel is responsible for 189,998 jobs in Pennsylvania paying a total of $13.44 billion in wages and salaries annually, while generating $54.40 billion in industry output and $5.91 billion in federal, state, and local taxes."[10] Given the expansive impact of the steel industry, it is no shock then that PA State Representative Frank Burns would introduce the 'American Made Jobs Plan,' including the following policy proposals:

- House Bill 2716, to amend the Underground Utility Line Protection Act to require American-made steel to be used in all construction and repair of underground pipelines. Per current state law, steel is considered American-made if at least 75 percent of the raw material and production occurs in the United States.
- House Bill 2715, to require any construction or repair projects done by a private entity that receives any taxpayer funding to use American-made steel. Per current state law, steel is considered American-made if at least 75 percent of the raw material and production occurs in the United States.
- House Bill 2714, to provide a 2% bid discount on bids for public projects (such as those carried out by school districts, municipalities, and state agencies) when American-made materials are used in the price quote.[11]

After Representative Burns unveiled his policy plan with significant protections of the steel manufacturing industry, it is unsurprising that he was named co-leader of the House Steel Caucus a little less than a year later.[12] The policies proposed by Rep. Burns are but one instance of how policy manipulates the economic direction of states. Northwest Pennsylvania continues to be the nation's leader of steel and iron production. It is difficult, however, to say that this economic driver is purely economic. The economic advantages of this industry cannot be addressed without acknowledgement of the political significance of the steel lobby in Pennsylvania and the national recognition of Pennsylvania's steel status (seen even in the name of Pittsburgh's *NFL* team, the *Steel*ers). The continued policies of protection of steel, through the promotion of 'Steel City, Pennsylvania,' form the economic center of PA, not the other way around.

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[9] Jay Garg, "The Politics of Protectionism," *Harvard Political Review*, last modified April 24, 2020, https://harvardpolitics.com/politics-of-protectionism/.

[10] AISI, *The Steel Industry in PENNSYLVANIA* (American Iron and Steel Institute, 2021), accessed September 25, 2022, https://steel.guerrillaeconomics.net/reports//f1b8ba7b-8c71-41ab-b95e-198e908dd20b?.

[11] Rep Frank Burns, "Burns Unveils 'American Made Jobs Plan' to Bring Back Manufacturing," *Www.pahouse.com*, last modified July 20, 2020, accessed September 25, 2022, https://www.pahouse.com/Burns/InTheNews/NewsRelease/?id=115836.

[12] Northwest Delegation, "Burns Named Co-Leader of House Steel Caucus," *Www.pahouse.com*, last modified June 21, 2021, accessed September 25, 2022, https://www.pahouse.com/NorthWestDelegation/InTheNews/NewsRelease/?id=120190.

State economic policy additionally affects the employment process. Before the federal minimum wage increase, states had to choose whether or not to raise the wages for the lowest classification of workers. The Pew Research Center found that "the $7.25 federal minimum wage is pretty much one-size-fits-all across industries and occupations (or most: tipped employees, students, farmworkers and young trainees can be paid less under certain circumstances). But states, cities and counties can, and often do, provide for a range of minimums for different types of employers."[13] Through state economic policy, officials are able to utilize untraditional policy paths in order to improve the employment processes.

This variation, however, presents difficulties when trying to compare the economic impacts of a minimum wage increase. It is still unclear whether the federal minimum wage increase has affected inflationary rates and unemployment rates as research is still being done. However, the Harvard Business Review completed a study on whether minimum wage increases lead to less compensation per worker. This study observed that "for every $1 increase in the minimum wage, we found that the total number of workers scheduled to work each week increased by 27.7%, while the average number of hours each worker worked per week decrease by 20.8%."[14] Thus, while the statistical consequences or improvements from the federal minimum wage increase through the "Raise the Wage Act of 2021," the economic impacts are already being felt by workers.

Minimum wage policy is just one-way states manipulate the employment process. Training, regulations, and mandatory application requirements similarly allow states to impose themselves into the hiring processes of small and large businesses. The most controversial imposition of state government on the hiring processes of businesses in recent years is found in the mandatory COVID-19 requirements that some states have passed. Directions by OSHA (Department of Labor's Occupational Safety and Health Administration) placed a mandatory vaccine requirement on companies with more than one hundred employees on January 4th, 2022. On January 25th, 2022, OSHA revoked its vaccine requirement given opposition, but remains firm in their desire for a mandate of this kind in the future.[15] Despite this revocation, the initial effort catalyzed twenty-five states to their own mandatory requirements for employers.

Isabel Soto, of the American Action Forum, investigated the impact of this mandate on the American workforce. She based her analysis on the facts that this mandate would most likely only affect larger companies (those of one hundred employees or more), and that roughly 20% of the workforce expressed their refusal to be vaccinated, even if it leaves their employment status at risk. Her calculations concluded that "an estimated 10-16 million workers are at risk of employment change due to the

[13] Drew Desilver, "When It Comes to Raising the Minimum Wage, Most of the Action Is in Cities and States, Not Congress," Pew Research Center, March 12, 2021, https://www.pewresearch.org/fact-tank/2021/03/12/when-it-comes-to-raising-the-minimum-wage-most-of-the-action-is-in-cities-and-states-not-congress/.
[14] Qiuping Yu, Shawn Mankad, and Masha Shunko, "Research: When a Higher Minimum Wage Leads to Lower Compensation," Harvard Business Review, June 10, 2021, https://hbr.org/2021/06/research-when-a-higher-minimum-wage-leads-to-lower-compensation.
[15] OSHA, "COVID-19 Vaccination and Testing ETS | Occupational Safety and Health Administration," www.osha.gov, January 25, 2022, https://www.osha.gov/coronavirus/ets2.

vaccine and testing mandate." [16] This disruption may be due to a loss of employment, transferring of employment, or change of position. This analysis shows the interference that vaccine mandates had on the labor force. This information, however, does not even begin to take into account the difficulties unvaccinated workers face in requesting sick days or general bad morale that they may be confronted with on the job.

Now, towards the end of 2022, many states and companies have begun to repeal their vaccine mandates, given the lessened severity of the COVID-19 pandemic on the general public. However, this decision has enraged those workers who were directly affected by these mandates. Cely Decolongon, a New York Police Sergent, refused to get vaccinated given religious and medical exemptions. When asked about the laxation of vaccine mandates in public entertainment, Decolongon replied, "so you have athletes, entertainers, you have crowded, sold-out concerts, people vaccinated, not vaccinated, all together. And then little old me in a patrol car, I'm a threat to everybody?"[17]

The vaccine mandate is but one example of how temporary policy can leave lasting effects on the marketplace and the labor force. Many, like Decologon, were terminated, rejected, or discriminated against by employers given their unvaccinated status. Yet, slowly the restrictions were loosened, mandates became not so mandatory, but the harm had still been done. Bloomberg Law additionally highlighted the story of "Virginia Alleyne, a longtime waitress at Yankee Stadium's Legends Club who was fired last fall for refusing the shots." She "described New York City's exemptions as "hypocritical" in a recent lawsuit against the city and Mayor Eric Adams."[18] Alleyne is but one case of employees attempting to win back the damages caused by the vaccine mandates.

While states begin to get back to 'normal': public gatherings have started to resume, masks seem to be a thing of the past, and the marketplace is suddenly, seemingly, unaffected by the policies that were previously crippling, harmed employees are still attempting to get back on their feet. Policies like vaccine mandates may seem like a rudimentary requirement like a flu shot but its effects are much more far-reaching. No matter your stance on COVID-19 vaccines, many employees have valid concerns regarding the shot. Yet, due to their reluctance, millions of employees have been displaced from their jobs, have struggled to provide for their families in one of the highest inflationary periods in history, and many must explain sudden termination to their prospective next employer, which significantly lowers their chances at employment.

States' implementation of vaccine requirements is an example of secondary consequences of policy. These are the consequences, mainly impacting the labor force, that are hard to predict in the initial conceptualization period of policy. One simple policy of requiring a vaccine has led to millions of Americans struggling to stay employed. It is

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[16] Isabel Soto, "The Vaccine and Testing Mandate's Effect on the Labor Market," AAF, November 15, 2021, https://www.americanactionforum.org/research/the-vaccine-and-testing-mandates-effect-on-the-labor-market/#:~:text=Given%20the%20number%20of%20workers.

[17] Emma Court, "As Companies End Vaccine Mandates, Workers Are Becoming Enraged," news.bloomberglaw.com, April 14, 2022, https://news.bloomberglaw.com/daily-labor-report/as-companies-end-vaccine-mandates-workers-are-becoming-enraged.

[18] Ibid.

important to remember that policy, like a small wave, is capable of creating a tsunami given the right circumstances.

Policy in National Governance

When considering the impact of policy on the economy, most people's minds immediately get drawn to the policy history of the federal government. In discussing the influence of policy on the economy, it would be remiss to exclude analysis of the policies of the Great Depression. To many, the Great Depression marked the beginning of federal relief programs and public dependency on the federal government for economic assistance. Dr. Jerry Marx, of the University of New Hampshire, analyzed the context of the Great Depression and the public's shifting desire towards assistance programs. Marx explains that "by the time Franklin Roosevelt was elected in 1932, the traditional ideologies and institutions of the United States were in a state of upheaval. Americans who had grown up promoting the ideology of the "deserving and undeserving poor" and the stigma of poor relief were now standing in line for relief."[19]

The Great Depression signified a new age of American governance. Previously, the federal government assumed a hands-off approach, handling only the large, overarching issues that covered many states. The Great Depression policies opened the flood gates for federal imposition into the more mundane aspects of American life. As the Economic Library reports, "federal spending in the 1929 budget that Hoover inherited was $3.1 billion. He increased spending to $3.3 billion in 1930, $3.6 billion in 1931, and $4.7 billion and $4.6 billion in 1932 and 1933, respectively, a 48% increase over his four years."[20] President Hoover, despite this increased spending, is characterized as a champion of the free market compared to his successor, President Franklin D. Roosevelt. If President Hoover began the trend of increased government spending, President Roosevelt propelled it in unprecedented ways.

The economic despair of the Great Depression was unlike any financial tragedy experienced in the United States. Many, including the leading economic thinkers of the nation, were shooting in the dark in regards to how to stabilize the marketplace. This desperation permitted the utilization of untraditional methodologies known today as the New Deal. For the purposes of analysis, the Federal Emergency Relief Act will be the focal point of study.

The Federal Emergency Relief Act of 1933, referred to as FERA, "established the Federal Emergency Relief Administration, a grant-making agency authorized to distribute federal aid to the states for relief. By the end of December 1935, FERA had distributed over $3.1 billion and employed more than 20 million people."[21] Given the previous leadership by state and local governments, this act authorized the federal government to

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[19] Jerry Marx, "Great Depression: American Social Policy," Social Welfare History Project, February 26, 2018, https://socialwelfare.library.vcu.edu/eras/great-depression/american-social-policy-in-the-great-depression-and-wwii/.

[20] Steven Horwitz, "Hoover's Economic Policies," Econlib, n.d., https://www.econlib.org/library/Enc/HooversEconomicPolicies.html#:~:text=To%20fight%20the%20rapidly%20worsening.

[21] John Deeben, "Family Experiences and New Deal Relief," National Archives, December 20, 2017, https://www.archives.gov/publications/prologue/2012/fall/fera.html.

be a prominent employer for the country. According to the Congressional Research Service, the federal government, including all three branches of government, employed 4,283,079 workers in 2021. This number is expected to grow in the thousands by 2023.[22] FERA indicated the end of the insouciant federal government that America once knew; What previously acted as a last policy resort suddenly became the main driver of change and support. This is seen in the increased and sustained number of federal workers. The federal government became a machine in its own right; professional staff and the introduction of the bureaucracy allowed policymaking and implementation to become a routine part of federal jobs.

As John Deeben explained in *Genealogy Notes*, "FERA gave the federal government a more centralized role in economic recovery by allocating (rather than loaning) funds for both direct relief (cash payments to individuals for immediate necessities such as food and shelter) and state-directed work relief (projects intended to get the unemployed back to work, even if only temporarily)."[23] Within the span of five years during the catastrophe of the Great Depression, the federal government became an active and energized part of society. A part of society that affected interest rates, employment statuses of millions of Americans, immigration, etc. This trend of federal imposition into the economic inner workings of the nation during times of drastic economic downturn would continue for the decades to come.

A perfect archetype for the continuation of federal policy disrupting economic development is the Great Recession of 2008. It is indisputable that the collapse of the housing market, fueled by easy access to lending, created the economic downturn that stained the economy of 2008. What is often ignored, however, are the policy decisions that led to the economic condition of 2008. President Clinton, President Bush, and Congress pushed the importance of home ownership, especially towards minority communities. This push incentivized lenders, like Fannie Mae and Freddie Mac, to offer more attainable mortgages to the newly interested population of American citizens. As the CFA Institute explains, "in pursuit of private profits, Fannie Mae and Freddie Mac adopted more aggressive strategies, knowing that any resulting losses would be socialized."[24]

The problem, however, is that both Fannie Mae and Freddie Mac issued mortgages to people who could not afford them. Christopher J. Mayer, Karen M. Pence, and Shane M. Sherlund from the Federal Reserve Board illustrated this by citing that "according to data from the Mortgage Bankers Association, the share of mortgage loans that were "seriously delinquent" (90 days or more past due or in the process of foreclosure) averaged 1.7 percent from 1979 to 2006, with a low of about 0.7 percent (in 1979) and a high of about 2.4 percent (in 2002). But by the second quarter of 2008, the

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[22] Jared Nagel and Carol Wilson, "Federal Workforce Statistics Sources: OPM and OMB" (Congressional Research Service, June 28, 2022), https://sgp.fas.org/crs/misc/R43590.pdf.

[23] John Deeben, "Family Experiences and New Deal Relief," National Archives, December 20, 2017, https://www.archives.gov/publications/prologue/2012/fall/fera.html.

[24] Martin Fridson, "Guaranteed to Fail: Fannie Mae, Freddie Mac and the Debacle of Mortgage Finance (a Review)," *Www.cfainstitute.org* 6, no. 1 (2011), https://doi.org/10.2469/br.v6.n1.11.

share of seriously delinquent mortgages had surged to 4.5 percent."[25] The influx of subprime mortgages and their inevitable defaults created the catalyst for the recessionary conditions that led to the crisis of 2008. The easy access mortgages allowed millions of Americans, not typically suitable for homeownership, to buy virtually any house they wanted. Thus, 2006 and 2007 were a time of immense home buying and home building. However, once mortgages began defaulting, houses were foreclosed, families were evacuated, and the economy began collapsing. From an economic perspective, destruction began far before families were forced out of their homes.

Defaulting mortgages illustrate just a portion of the economic chokehold that ensued from these subprime mortgages. The Great Recession of 2008 was not an isolated incident within the housing market. The broader effects of the economy were considerable. As the Federal Reserve reports, "from peak to trough, US gross domestic product fell by 4.3 percent, making this the deepest recession since World War II. It was also the longest, lasting eighteen months. The unemployment rate more than doubled, from less than 5 percent to 10 percent."[26] The housing crisis in 2007 demonstrates the butterfly effect that a single piece of policy or single decision by an elected official can have on the economic condition of the nation, and the world.

Only a few years later, the Obama administration unprecedently unveiled their initiative to forever change the healthcare industry in the United States: Obamacare. According to the U.S. Department of Health and Human Services, Obamacare, or the Affordable Care Act as it is more formally known, has three primary goals:

- Make affordable health insurance available to more people. The law provides consumers with subsidies ("premium tax credits") that lower costs for households with incomes between 100% and 400% of the federal poverty level (FPL).
- Expand the Medicaid program to cover all adults with income below 138% of the FPL. Not all states have expanded their Medicaid programs.
- Support innovative medical care delivery methods designed to lower the costs of health care generally.[27]

Since its enactment in March of 2010, Obamacare has given over thirty-five million Americans, who otherwise would not be covered, healthcare coverage.[28] However, ACA was not without its opponents and its flaws. The extensive requirements of healthcare coverage under ACA led to millions of healthcare policies to be invalidated. Thus, while millions gained

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[25] Christopher Mayer, Karen Pence, and Shane M Sherlund, "The Rise in Mortgage Defaults," *Journal of Economic Perspectives* 23, no. 1 (January 2009): 27–50, https://doi.org/10.1257/jep.23.1.27.

[26] John Weinberg, "The Great Recession and Its Aftermath | Federal Reserve History," www.federalreservehistory.org, November 22, 2013, https://www.federalreservehistory.org/essays/great-recession-and-its-aftermath#broader.

[27] U.S. Department of Health & Human Services, "About the ACA," HHS.gov, December 7, 2018, https://www.hhs.gov/healthcare/about-the-aca/index.html.

[28] Assistant Secretary for Public Affairs (ASPA), "New Reports Show Record 35 Million People Enrolled in Coverage Related to the Affordable Care Act, with Historic 21 Million People Enrolled in Medicaid Expansion Coverage," HHS.gov, April 29, 2022, https://www.hhs.gov/about/news/2022/04/29/new-reports-show-record-35-million-people-enrolled-in-coverage-related-to-the-affordable-care-act.html.

coverage, millions lost their coverage as well. The more fitting discussion of Obamacare is its direct impact on the economic prosperity of the country. The *Manhattan Institute* in 2016 investigated the economic impact of the Affordable Care Act. They report that "based solely on recent economic growth, the ACA has subtracted $250 billion from GDP. . .. The incentive changes embedded in the ACA, based on past incentive changes, are expected to ultimately reduce employment by 3 percent and GDP by 2 percent. That would be about 4 million jobs and more than $300 billion per year."[29] The Affordable Care Act transformed the healthcare industry indefinitely. It opened the flood gates for government intervention into the service of healthcare. The legislation, however, also affected the economic impact of healthcare by requiring more regulations and hoops to jump through. Obamacare demonstrated that the federal government can forever alter the economy and specific industries with one signature.

Local and state policy has wide reached impacts on the economies of the communities and surrounding areas in which the policy will take effect. Given the vast number of state and local governments in the United States, however, it is unlikely (but not impossible) that one state's policy will impact another's economy directly. Federal policy, however, touches every community in the country. Pepperdine University articulates the substantial responsibility that public policy makers have; "While many career fields ebb and flow, public policy endures and evolves to respond to the ever-changing needs of the citizens it serves. The "public" nature of how we live and work is integrated into virtually every area of society."[30] Since the repositioning of government authority that occurred with the Great Depression, the federal government has a hand in the daily lives of American citizens. Obamacare changed the way America oversees healthcare. The power of federal policy, however, lives in its fiscal influence.

The most notably 'offering of a hand' by the federal government in recent years is seen in the American Rescue Plan by President Biden. The COVID-19 pandemic of 2020 devastated the nation. Families were isolated, schools were closed, and millions of workers lost employment. The Biden administration in 2020 and 2021 rolled out their $1.9 trillion initiative to lessen the economic devastation of the pandemic. The American Rescue Plan offered payment ranging from $600-$1,200 per person/family. The direct payment from the federal government to the wallets of every American was unlike any presidential act seen before. Therefore, it is expected that the economic effects will be quite significant. However, given the contemporary nature of the initiative, there is not much conclusionary research available. Jason Furman, chairman of the Council of Economic Advisers under President Obama, "said the rescue plan caused between 1 and 4 percentage points of inflation last year."[31] Only the coming years will tell the true economic impact of the stimulus checks. What is known, however, is the large potential that policy has in altering the economy in monstrous ways.

Policy in International Governance

The final stage of policy intrusion into the economy is at the international level. The most influential policy decisions that impact the international community come in the form of tariffs

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[29] Casey Mulligan, "Has Obamacare Been Good for the Economy?," Manhattan-institute.org (Manhattan Institute, 2016), https://media4.manhattan-institute.org/sites/default/files/IB-CM-0616.pdf.
[30] "The Impact of Public Policy in a Community," Pepperdine University Online, April 29, 2022, https://mppl.onlinegrad.pepperdine.edu/blog/impact-public-policy-community.
[31] Morgan Chalfant, "How Much Does Biden's $1.9T Bill Have to Do with Inflation?," The Hill, June 18, 2022, https://thehill.com/homenews/administration/3528230-how-much-does-bidens-1-9t-bill-have-to-do-with-inflation/.

and, in extreme cases, embargoes. International policy has broad effects on not only the economic state of its own company but also the entire international economy. Notable cases of this are the U.S.'s embargo on Cuba in the 1960s and President Trump's tariffs on China.

In 1962, President John F. Kennedy enacted a total embargo on U.S. trade relations with Cuba, with exceptions only being granted by the Department of Treasury. Along with trade relations, Americans were also barred from entering Cuba, effectively cutting off all tourist and commercial ventures between the United States and Cuba for decades. This move by the United States devastated the Cuban economy for decades. America's initiatives propelled copious other nations to embargo or heavily tariff the Latin American country as well. The increased tensions of the Cold War, given the failure of the Bay of Pigs the year prior, incentivized this drastic action by the United States.

What was overlooked during the execution of this policy, however, were the consequences that came from this dramatic economic policy. What the United States did not expect is that combative economic policy may be fuel for perilous regimes, as seen with Fidel Castro. Castro effectively used the embargo as an excuse for the horrid conditions that Cubans faced on the island. Even the failures that were done by the socialist hand of Castro's regime were added to the list of atrocities resulting from America's contempt for the Cuban people.[32] Additionally, the United States failed to consider that policy consequences are never one-sided. As the CATO Institute reports in 2005, "a study by the U.S. International Trade Commission [revealed that] the embargo costs American firms a total of $700 million to $1.2 billion per year."[33] Policy is a powerful tool with damaging effects on parties both involved and in the crosshairs. In the globalized society of today, a nation cannot make an economic decision towards another country without feeling the effects themselves. When broadened out to the international stage, policy can be destructive, even in places that one would not expect.

These effects, however, do not always end in entirely negative results. President Trump's tariff plan against China offers itself as an archetype for effective international economic policy. One of President Trump's main objectives in his presidential term was decreasing American dependency on Chinese trade. In 2017, President Trump began a series of tiered tariffs on Chinese goods. As the Tax Foundation reports, "[Trump's] administration soon published a list of about $50 billion worth of Chinese products to be subject to a new 25 percent tariff. Stage one of the tariffs began July 6, 2018, on $34 billion worth of Chinese imports, and stage two, the remaining $16 billion, went into effect August 23, 2018. These tariffs amount to a $12.5 billion tax increase."[34]

While President Trump achieved his goal of limiting U.S. dependency on China, it did result in economic loss for the American people. Limitation of trade leads to less options for the American people, and thus, higher prices.[35] However, this economic pain led to political gains. As Bethany Allen-Ebrahimian explains, Trump's "trade war shattered global norms, paving the

[32] Daniel Griswold, "Four Decades of Failure: The U.S. Embargo against Cuba," Cato.org (CATO Institute, October 12, 2005), https://www.cato.org/speeches/four-decades-failure-us-embargo-against-cuba.
[33] Ibid.
[34] Erica York, "Tracking the Economic Impact of U.S. Tariffs and Retaliatory Actions," Tax Foundation (Tax Foundation, May 31, 2019), https://taxfoundation.org/tariffs-trump-trade-war/.
[35] Stuart Anderson, "Trump's Tariffs Were Much More Damaging than Thought," Forbes, June 20, 2021, https://www.forbes.com/sites/stuartanderson/2021/05/20/trumps-tariffs-were-much-more-damaging-than-thought/?sh=2473de6d65bd.

way for administration officials to pursue policies that just a few years earlier would have been unthinkable."[36] President Trump reshaped America's view of China as a close enemy, not a distant threat. The economic impacts of Trump's fiscal policies were collateral in his grand scheme to address the 'China threat.' In the globalized world today, policy is never exclusive from economic shifts, even countries apart. Policy, however, is the driving force while the economy must suffer the reactionary outcomes.

The Future of the Political Economy

Whether it be local zoning code or a comprehensive embargo on a dangerous communist regime, policy will always impact the economy. This is not to say that the economy does not often impact policy decisions. In recent years, high inflationary economic conditions have led to an increase in welfare programs and stimulus programs. However, the economy is merely a reactionary force in the modern world. Long gone are the days of Adam Smith's ideals of an autonomous structure. The heightened interest by policymakers in the inner workings of the economy has made policy, not the invisible hand, the primary variable in economic shifts.

The paragon of the invisible hand has upheld the allure of the free market system for decades. The mutated relationship of policy and the economy, however, has shattered this archetype of a free and balanced market system. The only way to repair the relationship between policy and the economy is to recognize the power that policy has in deteriorating the autonomous functions of the capitalistic economy. This recognition requires a dismantling of the notion that policy can restore economic conditions. The opposite is true. The revocation of policy within the economic sector will lead to growth. President Ronald Reagan understood this concept well. Thus, Reagan's economic policies reflected his perspective that the approach to grow the economy most is to simply leave it alone.

Reaganomics, as it has been poignantly named, was the series of economic policy decisions put in place by President Reagan to stabilize the inflated economy he was inaugurated into. Reaganomics had four components: cutting tax rates to spur economic growth, massive reductions of spending, stabilizing the dollar through anti-inflationary monetary policy restraining the money supply, and mass deregulation to lower prices.[37] These four policies catastrophically altered the economic conditions of the country. As Forbes reports, "in 1984 alone real economic growth boomed by 6.8%, the highest in 50 years. Nearly 20 million new jobs were created during the recovery, increasing U.S. civilian employment by almost 20%."[38] Reaganomics proved to be a successful methodology to combat economic downturns. However, this methodology has been long forgotten in the present tendency of over-intervention. Reagan's policy of revocation led to 7.1% economic growth while Obama's heavy hand with economic policy produced merely 1.8%.[39]

Reaganomics offers a suitable archetype for how the government can best assist economic growth. The best approach is no approach. The economy was not meant to be powered

[36] Bethany Allen-Ebrahimian, "Special Report: How U.S. Policy toward China Transformed under Trump," Axios, January 19, 2021, https://www.axios.com/2021/01/19/trump-china-policy-special-report.
[37] Peter Ferrara, "Reaganomics vs. Obamanomics: Facts and Figures," Forbes, May 5, 2011, https://www.forbes.com/sites/peterferrara/2011/05/05/reaganomics-vs-obamanomics-facts-and-figures/?sh=46d96c159ac9.
[38] Ibid.
[39] Ibid.

by government; it was meant to be powered by the invisible hand. The more ‘protections’, regulations, and programs enacted, the more the nation strays from the advantages of a truly free-market system. The Founders never desired a government so vast that it had more power over its citizens’ lives than the power that citizens hold over government. The main economic driver of this nation should be the invisible hand, not Capitol Hill. Citizens must push back and understand their role in creating prosperous economic conditions. Following the Reagan model, this may mean less welfare and more tax contributions. What policy, and the nation fail to consider, however, is that short-term struggles will lead to long-term economic growth. This long-term growth will aid the nation in unforeseeable ways. Navigating the complexities of a free market system in today’s globalized world is a marathon, not a sprint. Rome was not built in a day, and neither will a strong, stable economy. Policy now holds the reigns; it is up to us, and our elected officials, that this nation is steered down the advantageous, albeit challenging, course, rather than the easy one.

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