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Research Article

SOCIO-ECONOMIC REFORMS AS A PRIORITY FOR MODERN US DEVELOPMENT

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Abdurasul A. Rozakov
Phd, Associate Professor, Of The "International School Of Finance,Texnology And Sciences" LLC, Uzbekistan

ABSTRACT

This article discusses the socio-economic reforms of US President W.J. Clinton for 1992 to 2000 presidency.

Based on various financial and economic sources, an analysis of the socio-economic transformations with previous US presidents is given.

KEYWORDS

Social security, economic problems, economic growth, higher education, "buried", technological progress.

INTRODUCTION

From 1992 to 2000 in the history of the United States entered as a period of "Clintonomics" personified as an era of reforms aimed at social problems accumulated from previous administrations.

By taking the oath of office for the presidency, W. J. Clinton in his State of the Union address to Congress on February 17, 1993, finally "buried" "Reaganomics" and advanced the concept of the "third way", guided not by ideological dogmas, but by the requirements of life . W. J. Clinton rejected the philosophy that "government can do nothing to solve the country's hardest problems"[1].

As president, W. J. Clinton took on a whole range of economic problems that required him to tackle something out of the ordinary.

The driving force behind the economic growth of the 1980s was a radical renewal of technology in connection with the transition to a resource-saving type of production. The race for the achievements of scientific and technological progress was spurred on by competition from Japan, the leading Western European countries (primarily Germany), as well as the "Asian tigers".

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Among the main priorities of the social policy of W. J. Clinton, several directions were included, which became the cornerstone of the socio-economic policy of the new Democratic administration.

The economic tasks included the development and implementation of "a program for the conversion of defense industries, including financial assistance to local small and medium-sized firms engaged in military production, as well as workers and employees who will lose their jobs as a result of the conversion; providing every American, under certain conditions, with the opportunity to receive a higher education; improvement of national health care. The states that make the most proactive efforts in these areas stand the chance of more federal funding"[2].

In addition, another of the priorities of the economic program of W. J. Clinton was "increasing investment in improving the living conditions of individual areas (communities), in particular, increasing investment in the modernization of public utilities and housing for the poor. W. J. Clinton intended to create a nationwide network of small banks, the main purpose of which would be to provide small loans to entrepreneurs and homeowners in declining cities and their areas. It was planned to increase the number of city police, the creation of business zones in stagnant areas, as well as credit incentives for cities experiencing special financial difficulties [3].

THE MAIN FINDINGS AND RESULTS

W. J. Clinton's reforms in the field of secondary education need to be especially emphasized. As governor of Arkansas, he reformed the education system on a statewide scale, which had a noticeable impact on improving the quality of knowledge and student achievement. "These transformations served as a model for other states in the reform of the education system"[4].

The significance of W. J. Clinton's reforms in the field of education was determined by the fact that he proposed to invest in human capital at all stages of life. Federal education programs, according to his idea, were to help parents prepare their children for school. It was also supposed to establish a nationwide system of examinations in basic subjects, in particular in mathematics and natural sciences. Youth - provide the opportunity to receive vocational training, or pay for higher education, by obtaining a bank loan or work for two years after graduation from college in an institution or company that has a special social need. For example, "to work as a teacher in schools in poor urban areas, so one of the slogans of the program in the field of education was - "We guarantee you the opportunity to get an education, but by receiving such help, you must repay the country with something" [5].

The need to establish national principles in domestic policy in the United States was first discussed around the beginning of the 1960s, more precisely, with the advent of Democrat John F. Kennedy to the post of head of state with his New Frontier program. Subsequently, this line was continued in the "Great Society" program by L. Johnson, which assumed "the deployment of large programs in the field of social insurance, health care, public assistance, as well as education, training and retraining of the workforce, which American budget statistics combine into a single category" expenditures for human resources [6].

It is known that in the post-war period the problem of the federal budget deficit first arose acutely in the 70s: "1969 as a fiscal year was the last in modern US fiscal history when the federal budget was reduced with a small surplus" 6].

So, in the 70s, the deficit became chronic. The main reason for this was rooted in the deployment of a wide range of social programs in the mid-60s, the "budget pressure" of which the States first felt only 10-15 years later. Thus, in fiscal year 1965, transfer payments accounted for 28% of all federal spending, and in fiscal year 1970 they increased to 33.1%. By fiscal year 1975 they were up 46.3%. In "1981, the last year of the administration of Democratic President John Carter, these payments reached a record level for that period - 47.9% of total federal spending, taken as 100%" [6].

Since the mid-1960s, a model of "wave-like" restructuring of budget priorities has gradually formed in the United States. The Democrats, who preferred social programs, as well as programs in the field of environmental protection, when they came to power, "launched" a cycle of social reforms that required appropriate financial and budgetary support.

In this sense, they had certain "collisions" with the Republicans, who invariably opposed the expansion of public social services and zealously defended the interests of the military-industrial complex. Reductions in military spending on the principle of linear mutual substitution of military and social programs could only be achieved to a very limited extent. "The emerging budget deficit served as a kind of price to pay for the stability of the US bipartisan political system, which was "written off" as an increase in social spending and the non-reduction of military appropriations" [7].

With the advent of the Republicans to power, the situation changed diametrically: the Democrats "lay down with bones", defending social and other programs related to them. However, they did not resist the desire of the Republicans to implement the US military build-up programs, the funds for which were scooped from budget deficits that were growing absolutely and relatively. This situation was directly related to the existence of a social contract, according to which budgetary spending was closely linked to the mass political base of these two political parties: social programs - with the electorate of the Democratic Party, military programs - with the electorate of the Republicans.

This fact has been studied in sufficient detail and is widely recognized by American political scientists. In particular, as S. Lewift and J. Snyder emphasize in their study, "the vast majority of American experts agree that the control of the Democratic Party over both the House of Representatives and the Senate for most of the post-war period allowed the Democrats to hold a number of federal programs that have disproportionately benefited their constituents" [8].

According to their calculations, it turned out that a 10% increase in the number of votes cast for the Democrats (that is, from 50% to 60%) in the 2nd half of the 80s "turned into an annual increase in federal spending, mainly for social needs, from 17 up to $84 per capita in various constituencies" [9].

It should be emphasized that the fact of the narrow economic efficiency of the socio-economic programs of the federal government, implemented over the past 30 years, has not been proven. If in the mid-1960s social programs were deployed mainly as a factor in the fight against poverty in American society, then 30 years later their results, taken according to this indicator, looked different. So, in 1960, according to official American statistics, in the United States there were about 40 million people living below the established threshold, then in 1992 - about 37 million period decreased by about one third - from 22.2 to 14.5%. However, it should be borne in mind that in 1966, that is, at the very height of the deployment of the "war on poverty" programs, this figure was 14.7%"[10].

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The coming to power in January 1993 of the administration of W. J. Clinton was the result of a well-studied cyclical pattern of changing liberal and conservative waves in American politics, equal to approximately 30-33 years. The previous "liberal hour", as you know, struck in 1960 and was associated with the coming to power of the Kennedy-Johnson administration. The main "package" of social reforms of this administration saw the light in the mid-60s as part of the "Great Society" strategy. And about 33 years earlier, the F. Roosevelt administration, which came to the US state leadership, proclaimed the New Deal and adopted a series of laws on social security, laid the foundations for the implementation of the modern social program of the US Democratic administration.

The administration of W. J. Clinton "began its activities in approximately the same socio-economic conditions as the Kennedy-Johnson administration, that is, during the period when the American economy entered the phase of cyclical recovery and relatively high rates of economic growth" [11].

The administration of W. J. Clinton followed the path of social reform of the Democratic Party. One of the main priorities of the internal political strategy, she proclaimed the reform of the healthcare system. The Democrats' main reckoning was that the 37 million Americans without public health insurance at the time represented a massive reserve of the Democratic Party's mass political base. The implementation of this reform, of course, over time would expand the ranks of "Democrats, as it happened earlier as a result of the implementation of the social reform programs of Roosevelt and Kennedy-Johnson" [12].

In 1993-1994, the administration of W. J. Clinton launched its health insurance program. And the failure in the autumn of 1994 to pass the proposed legislation was not to be regarded as fatal. American society, as in the 1960s, needed some time to prepare for the new realities of another long-term "liberal era" in domestic politics. It is likely that if the reform of American health care had been launched during the second term of the Democrats in office, this circumstance would suit the administration of W. J. Clinton even more. However, at that time no one could predict or foresee the second re-election of W. J. Clinton, because it depended on the successful fulfillment of promises in his first term in the White House. But despite the opposition of the Republican Congress, in 1992 - 1996 health insurance programs accounted for 42.9% of the total social spending budget, amounting to $1,155.7 billion, and in the second term of the Democrats, it amounted to $1,356.4 billion [13].

The implementation of the socio-economic policy of Bill Clinton most of all depended on the "stumbling block" in the US economy - the budget deficit, the impact of which was great. In the last 35 years before the administration of W. J. Clinton, the United States had only 2 surpluses (in fiscal years 1960 and 1969), while in other years it was in deficit.

From the second half of the 1970s, the budget deficit, as noted above, becomes chronic and becomes an integral part of the federal budget, and relatively independent of the nature of the economic conjuncture and the phases of the economic cycle. And despite all the efforts of each administration, declaring "the fight against the budget deficit as their number one task", it nevertheless continued to grow rapidly: from 53.2 billion dollars in 1975 to 290.4 billion in 1992" [14].

The budget deficit is closely related to the growth of budget expenditures. It also depends on the general economic situation, stability and economic growth. On this issue, the statement of the famous American

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economist M. Linden is appropriate. Thus, in his scientific work on the activities of the administration of W. J. Clinton, he, in particular, emphasizes: "The interaction of budget expenditures and revenues, combined with the existing budget deficit, can have a neutral or negative impact on the overall state of the economy, the deficit in itself is not a problem, but only serves as a barometer of what is happening in the economy" [15].

In the early 1980s, the United States entered a period of economic crisis: the standard of living of the population dropped sharply, its economic activity fell, the number of unemployed increased, and inflation assumed dangerous proportions. "The budget deficit grew rapidly in the early years of the Reagan administration: from $79 billion in 1981 to $208 billion in 1983" [16]

The government tried to use scarce funding to solve a number of problems. Thus, in the period from 1981 to 1986, tax reforms were carried out, which resulted in a significant reduction in income and corporate taxes, the provision of various benefits and subsidies to the private sector. These efforts were directed "to revitalize private business and develop its investment activities. The Reagan administration understood that this could lead to an increase in budget deficits, but it was in them that they saw salvation from problems in the economy"[17].

The crisis situation was further aggravated by inflationary pressure on the economy. To stop the rapid rise in prices, it was necessary to take radical anti-inflationary measures. Contrary to the prevailing opinion that deficits lead to inflation, the threefold increase in the absolute size of the budget deficit in the first half of the 1980s was simultaneously accompanied by a decrease in the inflation rate. Consequently, the deficit is not involutionary in itself, but its inflationary potential largely depends on the methods of financing the budget deficit. However, many US economists believe that massive chronic deficits are driving up federal debt and interest payments. "Since 1981, the growth of public debt outstripped the pace of economic development, and in 1979-1994 it increased from 483.9 billion to 4.6 trillion Dollars"[18].

The increase in interest rates in the mid-1980s, caused by huge budget deficits, on the one hand, reduced the amount of domestic investment in the US economy, on the other. It facilitated a significant influx of foreign capital, thereby stimulating the economic recovery.

Deficient financing in the short term had a certain positive impact on economic growth, the activation of private business, and the reduction of inflationary processes. However, in the long run, the existence of budget deficits became a brake on the development of the economy. A chain of three interconnected categories—growing public debt, deficits, and interest paid on debt—has led to a reduction in investment activity, crowding private borrowers out of the loan capital markets, and turning the United States into the world's largest debtor [19].

In December 1985, Congress, recognizing the need to reduce the deficit, passed the Deficit Control Act, which was a serious attempt to solve this problem. Its essence was to completely eliminate the deficit by gradually reducing it by the 1991 financial year. According to the law, the annual size of the deficit was clearly defined, and if the expected target figure was exceeded, the mechanism of "automatic" cuts in budget expenditures would immediately come into effect, which had nothing to do with economic growth rates. But as it became known, by 1991 this law did not work.

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In the 1992 election speeches, all presidential candidates expressed their views on the idea of a balanced budget. W. J. Clinton, after winning the election, in 1993 noted that “the budget deficit and its negative impact on the economy turned out to be greater than he could have imagined during the election campaign” [20]. Therefore, he proposed a comprehensive plan aimed at reducing it. The administration considered that if measures were not taken to stabilize the deficit, then in 10 years it could exceed $600 billion [21]. According to the president, “the budget deficit cannot be dealt with if we do not take into account the reduction in the level of public investment. Indeed, if in the 60s investments amounted to 4.5% of GNP, by 1992 they had dropped to 1.5%” [22]. For comparison, he cites the following statistics: “In Japan in 1990, the level of public investment was 6.1% of GNP, in the UK - 4.0% of GNP, in France - 3.7% of GNP, in Germany - 3.4% of GNP” [23]. Consequently, it was necessary to increase the volume of investments and at the same time reduce the budget deficit, which seemed to be a rather difficult task.

The entire socio-economic policy of the administration of W.J. Clinton can be expressed in the formula – “investment”. His administration's economic strategy for long-term issues was as follows:

1) Pay special attention to solving long-term problems;

2) More active use of fiscal measured policy (as opposed to monetary policy);

3) The use of federal leverage to achieve a number of economic and social objectives;

4) Change in the ratio of income and expenditure in certain parts of the state budget, in order to reduce the budget deficit;

5) The use of federal power as the driving force for reforming the American economy.

This was supposed to be achieved through the following means:

“Development of state infrastructure; R&D support; technology improvement; creating favorable conditions for small businesses;

- strengthening the role of the state in solving social problems - health care; public assistance systems; education and training”.

In Congress, the economic plan of W. J. Clinton was controversially perceived. Some congressmen opposed his economic program because they did not see much need for it. They believed that progress in the recovery of the American economy could take place on its own, without any significant government intervention. They argued their position by the fact that labor productivity has recently risen significantly and the United States is still the most productive country, ahead of Japan and Germany, and, therefore, the problem of the budget deficit is greatly exaggerated.

At the same time, most legislators believed that the US economy is still far from a state of prosperity and is characterized by a number of serious problems, the solution of which requires significant changes in economic policy.

In the early 1990s, the United States experienced stagnation, which is explained by the following reasons:

- firstly, in the 1980s there was an increase in military spending, a construction “boom”, a massive influx of foreign capital and tax cuts that held back economic growth;

- Secondly, the fundamentals for a long-term recovery have been undermined, investment savings levels have declined, US competitiveness in the world market has fallen, and educational levels have deteriorated.

Therefore, the administration of W. J. Clinton puts forward a rather impressive plan, consisting of three comprehensive programs:

1) a program of short-term stimulation of the American economy, to which it was planned to allocate 30 billion dollars. The main task was to create incentives for the growth of the number of jobs through the development of the education system, vocational training and retraining, through investment in highways, the protection of the environment and natural resources;

2) a long-term investment program for which "$140 billion has been allocated for four years since 1993"[24]. It was supposed to provide benefits and incentives for private investors, as well as targeted investment in the most important industries for American society. "In order to reduce the budget deficit, increase capital investment, ensure economic growth and create new jobs, it is necessary to move from an economic system in which tax collections were mainly eaten up, to one in which the focus will be on investment, education , vocational training";

3) Budget deficit reduction program as a necessary condition for long-term economic growth.

President W. J. Clinton's plan was a serious attempt to bring the growing budget deficit under control. He intended to "reduce the deficit from 1993 to 1997 by $500 billion, and in the future - by $140 billion and reduce the percentage deviation of the budget deficit to the volume of GNP from 5.4% - in 1993 to 2.7% - by 1997" [25] .

The Clinton administration cited several reasons why more deficit reduction was needed than in previous years: cutting domestic savings, attracting capital from Japan, Germany, and other countries that would help finance budget deficits in the 1980s when the US were the largest importer in the world, in subsequent years this process has significantly decreased.

The constant growth of the budget deficit entailed "an increase in public debt, which was covered by the constant issuance of government loans. In turn, this led to an increase in the share of expenses going to pay interest on loans. To compensate, it was necessary to increase the annual interest payments on the debt by 10-15 billion dollars[26].

By the time of the W. J. Clinton administration, "the federal government was paying $200 billion in interest to holders of the public debt, which was 14% of the total budget expenditures and equaled 15% of every taxable dollar." As a result, most government borrowing was in one way or another related to servicing previously accumulated debts. "Government debt in the 80s grew at a faster pace than GNP. In 988, the size of the federal debt amounted to 26.5% of GNP, and in 1993 - 51.6%" [27].

By 1993 in the USA, by the arrival of K.D. Clinton to power, there was a situation when it turned out to be more attractive for investors to invest free funds in financial assets than in real production. As a result, the overall level of domestic investment and savings, which in the mid-1970s was 7.9% of national income, fell to 4% in the mid-1980s. This happened mainly due to an increase in debt obligations. The administrations of W.J. Clinton managed to reduce the public debt from 64.1% to 57.3% of GDP in 1992-2000 [28].

In 1993, "every $7 spent by Americans (14.3% of GDP) went to health care, at a time when no other developed country spends more than 10% of GDP. Half of the expected increase in the federal budget deficit from 1994 to 1998 is due to increased Medicare and Medicard payments [28].

This example shows that the existence of a budget deficit has a decisive impact on the economy and affects the incomes of the population. The budget deficit begins to affect the country's economy in combination with other factors - the budgetary policy of the administration and the economic condition of the country. With their unfavorable combination (for example, the crisis situation in the country), even a small increase in the budget deficit can lead to negative consequences in many areas of economic life.

CONCLUSION

The administration of W. J. Clinton made health care reform one of the main priorities of its domestic political strategy. The federal states that were most active in this area were in a position to increase federal funding. In addition, another of the priorities of the economic program of W. J. Clinton was an increase in investment in improving the living conditions of certain areas (communities), in particular, an increase in investment in the modernization of public utilities, housing for the poor. In the field of financial revitalization, W. J. Clinton initiated a program to create a nationwide network of small banks, the main purpose of which was to provide small loans to entrepreneurs and homeowners in declining cities and their areas. The number of city police was increased, business zones were created in stagnant areas, as well as credit incentives for cities experiencing special financial difficulties. The implementation of these priority programs affected the socio-economic and financial situation not only in the national plan, but also in individual states.

Drawing some conclusions, it can be emphasized with confidence that the extraordinary approaches to solving the socio-economic reforms of the administration of W. J. Clinton, which covered almost all aspects of American society, brought the United States into one of the leaders among developed countries in the field of social transformations, the results of which inertially continued to bear fruit and subsequent US presidents.

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