Chapter 7

Public Policy

Policymaking basically consists of determining what belongs on the political agenda or determining what issues the American public cares about. It is important to understand that political ideologies, special interests, political parties, and the media play a large role in how the public-policy agenda is set. Also playing an important role are the three branches of government, each of which has its own political roles in the policymaking agenda. Political parties also have a role to play in the process. There are four areas where the federal government makes domestic policy decisions. The areas are economic policy, social welfare policy, healthcare, and the environment. The economy has long been an area in which the government has been involved. The second area of activity, social welfare, became more important after World War I and evolved even more during 1950s and 1960s. The last two areas are newer areas of policy concern, and they are still evolving. These evolving policies and the groups that are involved in them sometimes have implications for the bureaucracy because new programs can increase the size of government. Foreign policy is obviously another area of special importance for the national government.

Policymaking in a Federal System

The most basic question, of course, is who is responsible for policy making in any area of activity? At some level, the answer is "anyone and everyone," but there are three main types of actors who drive policy: interest groups or the public in general, institutions of government, and the media.

Interest groups consist of citizens who seek to combine their resources and efforts in order to better affect policymaking. At times the groups are clearly special interest groups with singular missions. Interest groups can be unions, businesses, or other economic groups that want to gain influence within the government and by doing so would also increase the government's assistance or support for their group. Policy making might include new activities that the group wants government involvement in while in other cases, an interest group might want less government involvement if that is what would provide them an advantage.

The three branches of government are all potentially important in policymaking. Congress of course is almost always responsible for policymaking since programs normally require authorization and funding. The president is responsible for implementing policies and programs. The president can influence the implementation of certain policies or even attempt to implement some policies on his own, as a number of presidents did with executive orders in support of more equal rights for black Americans. The judiciary may become important if the policies raise constitutional issues or require legal interpretations.

The media has become important for policymaking, as well. The media's help to get items on the agenda and can be important in terms of focusing attention on the legislative process when legislation is being debated. The role of the media has increased as new forms of transmitting information have become available. Some media outlets have focused on particular target audiences as they have become more specialized, which creates an opportunity for mobilizing interest groups.

The Formation of Economic Policy Agendas

Political agendas change along with popular interests, government action or inaction, critical events, interest of the elites, and the media. There are four agents that can be involved in the formation of economic policies. Most social welfare programs will help large numbers of constituents (for example, social security) and may rely on numbers for support. Client politics involve the small groups or unions that would benefit from the programs; the policy may favor the group while the general population could be positively or negatively affected. Most of the time the client groups do not have the large resources of many interest groups, but the constituents served may be important for a politician.

Interest groups can be involved in forming economic policy. They involve smaller numbers of citizens than is the case for some of the social welfare policies. Some policies can be cost restrictive in that they insulate individuals from some of the costs of activities, while others are cost escalating except that the costs are likely to fall on others in the system. These policies do not revolve around the larger population and the use of lobbying techniques to mobilize support will be an underlying driver of any agenda. Businesses normally seek to benefit from subsidies, protection against foreign imports, government contracts, or other favorable arrangements with government agencies. These groups may use their political influence to pursue the creation of policies that please the populace and that may add popular support to their lobbying techniques (for example, solar panel developers who use concerns about **global warming** to get support for their production).

The deficits of the past few decades have raised ongoing policy debates for parties and citizens, yet the surpluses of 1999 and 2000 created controversy, as well. Republicans wanted to return the 1999 surplus to the public, while Democrats wanted to use it for new programs. Both sides got some of what they wanted in 2001. Republicans enacted one of three large tax cuts implemented since World War II. Democrats received the assurance that tax cuts would end in 2010, and spending on federal programs was increased. As 2010 came to a close, a divided congress and the executive branch had long and contentious negotiations revolving around the ending of the tax cuts as well as the increased spending on federal programs. The spirited political debate was a direct consequence of the fallout from the economic troubles that have plagued the United States starting in 2007. These economic problems themselves derived from earlier changes in policies where financial institutions had gained greater freedom from regulation that permitted risky mortgages and other investments. These concerns have led to low voter approval of the president and the Congress as a whole.

One thing that politicians understand is the importance of pocketbook issues during elections. Voters often see connections between their own economic circumstances, the president, and the nation as a whole. Incumbents are concerned when economic conditions worsen, such as the average income for Americans declining. When voters blame the elected officials, they tend to vote politicians out of power. The opposite can be said when economic conditions have gotten better, and incumbents can ride the wave of success. Challengers during times of worsening economic conditions evade responsibility and use their opponent's records as an explanation for the problems that the voters are facing. Also important are candidates who take strong positions in favor of benefits (for senior citizens who are members of the AARP) in order to gain more votes. They do not always know how to produce desirable economic outcomes to make all constituents happy. It is their hope that aligning with enough voters on this issue will mean a victory on election day.

Economic Theories

When they are struggling over the politics of taxing and spending, competing politicians offer conflicting recommendations, in part because they may have different political ideologies. Their recommendations tend to include taxes, debt, and introducing new programs or eliminating old ones because of cost. Each politician offers their own interpretation and economic rationales to support financing their policy changes in the ways they want to.

Monetarism is a set of views based on the belief that inflation depends on the amount of money printed by the government. It was proposed by Milton Friedman from the University of Chicago, who argued that based on the quantity theory of money in circulation, the government should keep the money supply steady, expanding it slightly each year mainly to allow for the natural growth of the economy.

Keynesian economists believe that aggregate demand is influenced by a host of economic decisions—both public and private—and that sometimes the economy behaves erratically. Derived from the work of the English economist John Maynard Keynes, Keynesianism assumes that the health of the economy depends on how much of their income people save or spend. The theory holds that government should create the correct level of demand. One way in which the government can create this level is by increasing spending, which may mean a larger deficit, when the economy is doing poorly. The increase in government spending will increase demand, which will help to revive the economy. The other belief of Keynesian economics is that the government should increase taxes and pay down the deficit when the economy is booming in order to avoid an overheated economy.

DID YOU KNOW?

Politicians have been accused of being one-handed Keynesian economists. They are willing to do deficit spending during slowdowns, but they are unwilling to increase taxes and reduce spending during economic boom times.

Supply-side economics is a school of macroeconomic thought that argues that economic growth can be most effectively created by lowering barriers for people to produce (supply) goods and services, such as by lowering income tax and capital gains tax rates and by allowing greater flexibility by reducing regulation. According to supply-side economics, consumers will then benefit from a greater supply of goods and services at lower prices. The growth in the economy will produce additional tax revenues that will make up for the lower taxes. **Reaganomics,** set in motion by President Ronald Reagan in 1981, was a program for economic recovery that had four major policy objectives: (1) reduce the growth of government spending, (2) reduce the marginal tax rates on income from both labor and capital, (3) reduce regulation, and (4) reduce inflation by controlling the growth of the money supply. Reagan wanted to reduce the size of the federal government, to stimulate economic growth, and to increase military strength. His approach did rely on supply-side economic ideas to some extent. One consequence of the approach was an increase in the deficit.

Economic policymaking is complicated, and a number of actors are involved in the process. Congress is the most important player in economic policymaking, since it approves all taxes and almost all expenditures. The **Council of Economic Advisers** (CEA) is part of the Executive Office of the Presidency. The CEA includes professional economists who are generally in agreement with the economic theory subscribed to by the current president. The CEA forecasts trends and analyzes issues to aid the president in policymaking. It also prepares the annual economic oversight report that the president sends to Congress. The **Office of Management and Budget** (OMB), also part of the Executive Office, is the largest component of the Executive Office of the President. It reports directly to the president and helps a wide range of executive departments and agencies across the federal government implement the commitments and priorities of the president. The OMB prepares estimates of amounts to be spent by federal government agencies, and it negotiates with these departments and agencies to determine their respective budget requests.

The Secretary of the Treasury is one of the principal economic advisers to the president and plays a critical role in policy making. He brings an economic and government financial policy perspective to issues facing the government. The Secretary of the Treasury is responsible for formulating and recommending financial, economic, and tax policies on the domestic and international levels. The Secretary also participates in the formulation of broad fiscal policies that have general significance for the economy and management of the public debt. The Secretary oversees the activities of the department in carrying out its major law-enforcement responsibilities that include activities, serving as the financial agent for the United States government, and in minting coins and printing currency.

The **Federal Reserve Board** (FRB or the Fed) was created on December 23, 1913. It consists of seven members of the Board of Governors and divides the country into twelve districts with a Reserve Bank for each district. Members are appointed by the president, confirmed by the Senate, and serve nonrenewable fourteen-year terms. The chairperson of the Federal Reserve serves for four years, and he or she can be reappointed. The members are removable for cause—they can be impeached. The job of this bureaucracy is to use **monetary policy** to maintain employment, keep prices stable, and regulate interest rates. The Federal Reserve Board also supervises banks, provides financial services, and researches the United States economy and the economies in the surrounding region. The Federal Reserve acts independently of both the executive and legislative branches. The most important role the Federal Reserve serves is to regulate the supply of money both in circulation and through reserve rates, the price of money in the form of interest rates and inflation rates.

Economic Policy and the Budget

Until 1921, there were many years in which there was no federal budget. A national budget was dependent upon Congress passing one. Even after presidents began submitting budgets to Congress after 1921, congressional committees continued to act on the budget independently as the presidential budget is only a guideline, and like any other piece of legislation, it is subject to modification by Congress. The Congressional Budget Act of 1974 established procedures to standardize the budgeting process and streamline the process.

Currently, there is a sequence for the budget process:

- The president submits the budget.
- The House and Senate budget committees study the budget after receiving an analysis from the Congressional Budget Office (CBO).
- Each committee proposes a budget resolution that sets a total budget ceiling as well as ceilings for each of several spending areas.
- Congress is expected to adopt these resolutions in order to guide its budget debates.
- Congress considers appropriations bills (bills that actually fund programs within established limits) and sees whether they are congruent with the budget resolution.

The process can be a lengthy one, and in many years the budget is passed in increments rather than as a unified document. The budget proposed by the president and the one passed by Congress, however, represent a statement of policy goals and priorities for the government.

The economy and the government have been linked since the creation of the Constitution, which gave the federal government control over international and interstate commerce as well as other powers. The American economy is based on capitalism and a laissez-faire marketplace, but the economy is defined as a mixed economy because of the regulatory role the government has developed over the years. Today, one of the largest concerns of the American economy is the growth of corporations that have begun to operate within the global economy.

Unemployment and inflation are two major economic concerns. Levels of unemployment or inflation can be responsive to the actions undertaken by the Federal

Reserve System as part of the board's vision of monetary policy. The monetary policy is set by presidential appointees, but the actions do not necessarily reflect the ideology of the current president—although the policy can alter with different presidents with different economic goals. Unemployment occurs when there are more job seekers than jobs. Since the recession in 2008, the unemployment rate has been used to determine the strength or weakness of the economy. Traditionally, Democratic presidents have been more concerned with keeping unemployment down, even at the cost of inflation. Inflation occurs when prices rise and is measured by the CPI, or consumer price index. Republican businesspeople traditionally are most concerned with the cost of goods and services provided to the general public as a means to determine the strength of the public to purchase goods at lower prices. Normally, Republican presidents have been more concerned with keeping inflation down even at the cost of unemployment. The changes in the party affiliation of the presidency keeps the system of checks and balances relevant, but it also hurts the economy as a whole since most presidents who install new policies will often not be in office when the changes take effect, and the following president (whether of the same or different party as the outgoing president) will gain the notoriety, for good and ill, from the previous administration's policy.

TEST TIP

Eliminating answer choices one by one can be slow going. To help you work more quickly, you may want to come up with your own answer to the question before reading the answer choice. Then, select the choice that most closely matches the answer you came up with.

Areas of Economic Policy

The government tries to control the economy through agencies such as the Securities and Exchange Commission, the Treasury Department, and Federal Reserve Bank. The unemployment rate and inflation are major concerns. Monetary policy is one mechanism and **fiscal policy** (running a surplus or deficit) is another. With an economy based on various economic principles like capitalism and laissez-faire, there is a fine line between enacting new policy and reforming older policy to meet the needs of the various interested groups (not interest groups). The unemployment rate concerns the larger population in terms of job creation, but the coalition of groups supporting the Democratic Party is concerned with large unemployment.

This coalition is made up of labor unions, the working class, and other groups for which jobs are very essential.

Conflicting views about job creation lead to various policy initiatives being suggested. Some believe higher taxes will lead to greater government surpluses which can offset job loses, while others advocate for lower taxes, which should lead to greater business surpluses and the ability to hire more workers. The Federal Reserve role interprets the unemployment rate along with the inflation rate to determine the monetary policy they will adapt to control inflation and unemployment. The Fed attempts to remain neutral from party politics, but political ideology does appear when a new chairperson is chosen, as they may make concessions to remain in their position. Although monetary policy is used to monitor and to attempt to control the amount of money in circulation, the integration of the U.S. economy into the world economy creates difficulties for the successful application of any policy. It is now more difficult to regulate the American economy because other countries may undertake policies that are not in alignment with the American policies.

If interest rates are lowered, businesses will be encouraged to borrow money for expansion, thus increasing employment. If interest rates increase, there will be less borrowing, but the higher rates may increase inflation because the cost of necessary borrowing to do business will be higher. The government may sell bonds or treasury bills, which provides a safe investment while increasing the amount of money in circulation in the United States. The government can also use fiscal policy in an effort to direct the economy. What sometimes creates difficulties is that the politicians are following a fiscal policy that is in conflict with the monetary policy of the Federal Reserve Bank. The two parts of the government are not always on the same page.

Other Policies the Affect Economic Policy

The **Federal Trade Commission**, which was created in 1914, has as its purpose the prevention of unfair methods of competition in commerce. The creation of the FTC was part of the battle to "bust the trusts," or the major monopolies that existed. Over the years, Congress passed additional laws giving the agency greater authority to police anticompetitive practices. In 1938, Congress passed a broad prohibition against "unfair and deceptive acts or practices." This part of the mandate of the FTC is to prevent false advertising. In later years, Congress directed the FTC to administer a wide variety of other consumer protection laws that concerned telemarketing and guarantees of equal access to credit. In 1975, Congress gave the FTC the authority to adopt industry-wide trade regulation rules. All of these activities can have an impact on the economy. Regulations can raise the costs of business, and there is a possibility that regulations could interfere with sales or activity. Other regulatory commissions can have similar effects, and these regulations in the aggregate can have important effects, for good or ill, on the economy.

While the U.S. Department of Agriculture is primarily responsible for food safety, the Food and Drug Administration is responsible for protecting the public health by assuring that foods are safe and properly labeled with regard to food additions (Red Dye Number 2, for example). The FDA is more involved in making sure that human drugs, veterinary drugs, and vaccines and other biological products and medical devices intended for human use are safe and effective. The FDA is also responsible for protecting the public from electronic radiation, assuring that cosmetics and dietary supplements are safe and properly labeled, and for regulating tobacco products. The FDA also tries to help the public get the accurate science-based information they need to use medicines, devices, and foods to improve their health.

The relationship between labor and the government has had effects on the economy. Prior to the twentieth century, the government traditionally favored business over labor. In the twentieth century, labor won some economic protection of the law, including the guaranteed right to collective bargaining, unemployment compensation, a minimum wage, a variety of safety standards, and a regular workweek. Collective bargaining provides representatives of employees (unions) and employers a method to negotiate the conditions of employment, normally resulting in a written contract setting forth the wages, hours, and other conditions to be observed for a stipulated period. The Social Security Act of 1935 created the Federal-State Unemployment Compensation Program. The program has two main objectives: (1) to provide temporary and partial wage replacement to involuntarily unemployed workers who were recently employed; and (2) to help stabilize the economy during recessions. Unemployment benefits are payments made by the state or other authorized bodies to unemployed people. Benefits may be based on a compulsory insurance system. Depending on the state rules and the status of the person, these sums may be small, covering only basic needs (thus a form of basic welfare), or may compensate the lost time proportionally to the previous earned salary. Minimum wages are determined by acts of Congress. The Department of Labor ensures that they are paid. Currently the federal minimum wage for covered nonexempt employees is $7.25 per hour, effective July 24, 2009.

Social Welfare Policy

The United States has two types of social welfare programs, and they revolve around the income of an individual. **Social Security** and **Medicare** are called entitlement programs and are available to anyone, regardless of income. Public funds, which draw upon previous individual contributions, must pay for these benefits regardless of national debt or any effort to determine if people are entitled to receive them. The other type of social welfare programs revolves around an individual's income. If the income falls below a certain threshold established by policy (a means test), people are eligible for the benefits. These programs were all developed at different times. The public often insists that only those who cannot help themselves should receive some form of assistance. The United States has been slower than most advanced countries to embrace such social welfare policies. It was not until the reinterpretation of the Constitution in the 1930s that the federal government was allowed by the Supreme Court to enact social welfare policies. State governments and private enterprises often play a significant role in administering programs in the United States, and there is some variation in terms of the benefits that someone will receive.

Significant Social Welfare Programs

There are a number of important social welfare programs. The Social Security Act of 1935 was developed during the Great Depression. President Franklin Roosevelt created programs that would provide insurance for the unemployed and elderly. The Social Security Act required workers and employers to contribute to the system and to later benefit from it. The system was in effect a government pension fund. Not all individuals received pension payments equivalent to the money that was paid into the system. Those who lived for longer periods of time often received more, and the system subsidized those with very low incomes. The unemployment provisions were designed to give those temporarily out of work sufficient income to survive on. When the Great Depression hit the United States, private charities were unable to provide sufficient assistance for the large numbers of unemployed and for the elderly who needed help. The second program developed at this time provided assistance for dependent children, the blind, and the elderly. In this instance, taxes were used to provide the funds of the programs.

The Social Security Act in 1935 did not include any provisions for medical care in order to ensure its passage. After the death of President Kennedy, President Johnson was able to initiate the war on poverty. One of the results of the war on poverty was the Medicare Act of 1965. This new legislation applied only to the aged (those over the age of sixty-five), so that the costs of the program would be limited. The program only covered hospital bills and not doctors' bills. The lack of coverage for the doctors' bills meant that doctors would not be subject to any government regulations. Eventually **Medicaid** was added to the system. This program made medical care available to those who were otherwise too poor to receive such care.

One part of the Social Security Act received enough negative attention to force its demise. The **Aid to Families with Dependent Children** (AFDC) was scarcely noticed when it was enacted in the 1930s. Initially the AFDC involved giving federal aid to support existing state programs. It allowed states to determine what constituted need, to set benefit levels, and to administer the program. The program became less acceptable to the public over the years. Many viewed the recipients as undeserving, and after 50 years it was reworked into the **Temporary Assistance for Needy Families** (TANF) program. This program provided federal assistant to the states to provide the necessary resources.

Entitlement Programs

Entitlement programs are ones that guarantee access to benefits based on established rights or by legislation. A "right" is itself an entitlement associated with a moral or social principle such that an "entitlement" is a provision made in accordance with the legal framework of a society. There are a wide number of entitlement programs in existence that cover many segments of American society. Income tax laws provide significant benefits for large groups of people. Students in colleges receive reductions in the amount of taxes due for tuition. There are tax credits for child and dependent care that reduce the amount of federal incomes taxes that are due. By far the biggest tax break in the federal income tax code is the exemption for the interest included in mortgage payments made on homes. The home mortgage exemption is essentially a subsidy for home ownership as it reduces the taxes that homeowners owe. It was designed to encourage home ownership and has been quite successful in doing so.

Other programs grant assistance as a matter of entitlement. Veterans of the armed forces are entitled to a wide variety of benefits as a consequence of their service to the country. Individuals are automatically eligible to receive social security benefits or survivors' benefits. Unemployment benefits are available to those who lose their jobs through no fault of their own. Medicare is also available to everyone that reaches age 65.

TEST TIP

Even though you will complete the multiple-choice portion of the exam using a pencil, bring a couple of pens with black or blue ink to write your essays. Pens write more quickly and don't require sharpening.

Means-Tested Programs

Some programs are **means-tested**, which means they require a determination of whether or not an individual or family is eligible for help from the government. Usually such programs depend on proof that one's income is below a certain level. Income refers to the amount of money a person receives in the form of wages or from other sources. Wealth refers to the assets a person amasses over time. Wealthy people in essence could have low incomes but have large assets to sustain them. A philanthropist who is retired, for example, is a wealthy person, and their wealth allows them to sustain what they want and to provide for others, but would preclude them from qualifying for any means-tested program of assistance. The distinction between *income* and *wages* becomes important for the social security program. Wages earned on a job are taxed to provide funds for payments. Income, which could come from investments, a trust fund, or other sources, is not taxed to provide social security benefits, although it does count for calculations of state and federal income taxes.

Most of the means testing is based on a **poverty line**. Government agencies determine a poverty level based on the total cost of all the essential resources that an average human adult consumes in one year. The poverty line is adjusted for the size of the family. The poverty level has to be adjusted as costs rise. This explains how inflation could be destructive to society by threatening families in distress. The official poverty line is periodically adjusted, of course, to reflect changes in the level of inflation, but there is often a lag before the adjustment catches up with reality. There has also been an increasing problem with the feminization of poverty. More and more women have become heads of households and the sole wage earner. When poverty statistics are analyzed, this group of women represents a disproportionate percentage of the poor who are eligible to these programs.

There are a variety of important means-tested programs. Medicaid, unlike Medicare, is one such program. **Supplemental Security Income** (SSI) provides additional benefits to social security payments to those who can demonstrate particular kinds of need. Food stamps are available to those with limited income as are the school breakfast and lunch programs for children from low-income families. **Head Start** is a program for pre-kindergarten students from low-income families. There are assistance programs for those who need help in paying their heating bills. There have also been a variety of programs that provide housing assistance for those below a particular income level. This type of housing assistance totals a much lower level of expenditures than the taxes that are not collected due to the home mortgage exemption provisions of the federal income tax code.

Social programs have become a major component of government programs. How they will continue to fare depends on future presidents, members of Congress, interest groups, and voters. Means tested programs that focus on those in need have not always been popular, and there are very few who want to completely do away with all of these types of programs. In some cases, the opponents of these programs want to tighten the means testing to limit those who are eligible. Entitlements have come under increasing fire from conservative groups, some Republicans, and those who identify with the Tea Party. They want taxes reduced and are willing to cut the benefits received by those receiving payments from the programs. Reducing payments to those who have already retired, as would be required with reductions in social security, is difficult, so much of the focus is on reducing future payments to everyone or reducing the cost for future retirees.

Social Welfare Programs

The first social welfare program that was part of a broader policy approach was the **Square Deal** that was instituted under President Theodore Roosevelt. His domestic program was based upon three basic ideas: conservation of natural resources, control of corporations, and consumer protection. The Square Deal is important not only because it was the first such program, but also because the **New Deal** has been at times considered to be an extension of the Square Deal.

The Great Depression had devastating effects in virtually every country, rich and poor, and all of their citizens. Personal income, tax revenue, profits, and prices dropped, while international trade plunged by more than 50 percent. Unemployment in the United States rose to 25 percent and in some countries rose as high as 33 percent. The severity of the crisis required some form of new approach. In 1932, the first presidential election after the onset of the Great Depression, Franklin Roosevelt easily defeated the incumbent President Herbert Hoover. President Roosevelt was able to create his New Deal, which was designed to revive the U.S. economy. The New Deal also weakened the laissez-faire basis of the American economy.

The New Deal was a series of economic programs implemented between 1933 and 1936. The programs were not enacted without controversy. President Roosevelt was forced to re-conceive some of his ideas in order to avoid opposition from the Supreme Court. While some of his programs, such as the **Civilian Conservation Corps**, were temporary measures designed to put people back to work, other programs remain with us today. The social security system, the **Securities and Exchange Commission**, and the Federal Housing Administration all date from this period. The Tennessee Valley Authority was created during to bring cheap electricity to the southeastern United States in order to permit electrification and industrialization and to revive an area that had been hit harder by the Great Depression than most other areas of the country. The **Federal Deposit Insurance Corporation** (FDIC) was created to end runs on banks and to stabilize the banking system. No private insurance company was willing to issue insurance to such a troubled sector as banking. The FDIC program has been extremely effective from the outset since it mitigates the worst consequences of bank failures. The National Labor Relations Act and the Fair Labor Standards Act provide protection for the rights of unions to organize and provided some protection to working-class individuals.

The **Great Society** was a set of domestic programs in the 1960s promoted by President Lyndon B. Johnson and fellow Democrats in Congress. Two main goals of the Great Society social reforms were the elimination of poverty (**War on Poverty**) and the end to racial injustice. The War on Poverty was a set of forty programs that were intended to eliminate poverty by improving living conditions and enabling people to lift themselves out of the cycle of poverty. There were an abundance of acts passed during Johnson's term in office. There were also education programs. There were sixty separate bills that provided for new and better-equipped classrooms, minority scholarships, and low-interest student loans. This period also saw other new programs designed to improve the environment and to improve air, land, and water quality. The Head Start program was designed to help four- and five-year-old children from disadvantaged families start school on an even basis with other youngsters. Drawing upon the inspiration of New Deal programs such as the Civilian Conservation Corps, a **Jobs Corps** was created to provide skills for young men and women to give them an appropriate background to become productive members of the workforce.

Health Care

Health care policy has become part of social policy in the United States. The United States has a mostly privatized health-care system, with 46 percent of the country's total health bill paid for by government. Private insurance companies cover one-third, and

Americans pay nearly one-fifth of their health care costs out of their own pockets. Since 1965, Medicare has provided hospitalization insurance, short-term nursing care, and inexpensive coverage for doctor fees for elderly Americans. The cost of health care in the United States has steadily increased in the past few years, mostly because of the cutting-edge technologies used. There have been new drugs developed, and their cost has been very high in part because of their newness and the cost of research and development. The cost of the new drugs has been of little concern because most of the cost is paid for by the government, employers, and insurance companies.

America does not have a universal health care policy. People do not have equal access to health care because much of the care is in the private sector. The average person receives healthcare benefits through their jobs. Employers and companies feel that much of the cost burden for healthcare for full-time employees is being passed on to the companies. Part-time employees are often not entitled to such benefits, and many small companies cannot afford the rising costs of healthcare and may be faced with terminating some employees to meet the increasing costs. It should be noted that the companies that provide health insurance for their employees do receive tax breaks to offset their costs. Others in companies with no benefits must pay for their own health care. Those who become unemployed have to depend on their own resources or government assistance. If none of these options are available, they will not receive any health care.

The largest percentage of Americans without insurance comes from minority families and lower-income families. As a result, they receive poorer health care and have much lower life expectancies. Increasing costs have priced others of the market for health care. The costs for government programs such as Medicare and Medicaid have resulted in demands for reductions in their overall cost, which reduce the amount of health care available for the elderly and the poor.

Lobbyist representing various aspects of the health care profession and elderly patients attempt to pass the increased costs of new medicines and techniques off to Medicare. It is important to emphasize that the elderly population in America is a strong voter block so their concerns will influence policy above public perception and agenda. Workers in low-paying careers, young college graduates, and the unemployed have a very hard time securing health insurance. Their plight, however, is lost on the public at large because of the perception from the media and a variety of interest groups that the insurance programs for those who have existing coverage will suffer if insurance benefits are extended. Other strong lobbyist groups representing business owners and corporations have tried to slow the rising costs that businesses have to pay. In turn hospitals and doctors have been left with few options. They can either pass the cost on to patients or they can offset cost in some other fashion.

Opponents to any healthcare reforms or new management styles in the healthcare system claim that any bureaucratic control of insurance to pay for healthcare would lead to rigid rules for doctors to follow, make if more difficult for patients to see specialists, and sometimes would deny them the opportunity entirely. Further, the opponents claim it would mean that the receipt of recommended treatments would take longer. They also imply that in some instances, the age of the patient could determine how much the appropriate treatment would cost or how much of the cost would be covered. Of course, many involved in the healthcare industry would be disadvantaged by changes. Insurance companies would lose money, and doctors and hospitals are concerned about lost income, as well.

When President Clinton first came into office, he attempted to overhaul the healthcare system in an effort to provide healthcare for more people. His effort failed due to the mobilization of opposition to reform by doctors, hospitals, and medical insurance companies. Other opposition came from those who did not want additional government programs on general ideological principle. President Obama was more successful in pushing a plan through Congress that would eliminate some of the inequity in access. He faced some of the same groups that had earlier opposed President Clinton. The opponents have mounted court challenges to aspects of the healthcare plan and in some cases have received some positive rulings (for them) on the constitutionality of President Obama's healthcare plan. Ultimately, the Supreme Court will have to determine whether or not the provisions of the plan are acceptable or not.

Tax Policy

Social welfare policy is influenced by the types of taxes that are administered. The impact of the home mortgage interest exemption has already been mentioned. How a government chooses to raise money through taxes will influence personal income levels and potentially the economy as a whole. There are ideological differences as to what types of taxes should be used: progressive, regressive, or fixed. Some of the differences are based on economic issues, and some are based on social policies.

A **progressive tax** is one that takes a larger tax percentage from the income of high-income earners than it does from low-income individuals. The United States income tax is considered progressive because the more a person earns, the higher the tax percentage. The U.S. income tax system has a number of exemptions and loopholes, however, which make the overall tax levels less progressive. A **regressive tax**, in contrast, imposes a greater burden (relative to resources) on the poor than on the rich. There is an inverse relationship between the tax rate and the taxpayer's ability to pay as measured by assets, consumption, or income. The more you earn, the less you pay. A fixed tax rate or flat tax rate is the same for all taxpayers regardless of the income of the individual.

While income taxes are progressive taxes, other taxes tend to be more regressive. All states rely on property taxes for local funding. Property taxes tend to be somewhat regressive overall. Property owners pay the property taxes directly (and can reduce their federal income tax bill by writing the payment off). Many states also rely on sales taxes as a source of revenue. These taxes range from less than 1 percent to more than 10 percent. Sales tax is collected by the seller at the point of purchase. Sales taxes are used to help offset the local government budget burden without increasing other various state taxes on residents. Sales taxes are considered to be regressive because those with lower levels of income end up paying a higher percentage of their income in sales tax than do the wealthy.

The distribution of the tax burden via progressive or regressive taxes can affect social policy. If taxes are progressive, funding for a variety of programs by the government are, in effect, funded by wealthy individuals. If taxes are flat or regressive, more funding comes from the less well-off. Conservatives argue that lowering the tax rates on the wealthy will make funds available for economic investment. This investment will increase economic growth and create more jobs, which will assist everyone, and will therefore reduce the amount of money spent on social welfare programs. Liberals argue that progressive tax rates help to fund social welfare programs that keep money in the pockets of the less well-off. These individuals will use the money from these programs to buy food, clothing, and shelter, providing a stimulus to the economy in a variety of areas. The debate about the best approach to take in social and economic terms continues.

TEST TIP

Not sure where to start in a free-response essay? Construct a straightforward, one-sentence response that directly answers the question posed. This sentence can now act as your thesis statement.

Environment

Environmental policies raise concerns about the benefits they create and how they are going to be paid for. Controversies often surround environmental policies because of scientific uncertainty about the nature and extent of the problems. Differing scientific options can make solutions to environmental problems uncertain. The scientific uncertainties (or arguments that there are scientific uncertainties) have led to a number of political features that make environmental policy different from other policies. As a result, conflicts between the government, businesses, and the public arise about how to preserve the environment

In entrepreneurial politics, an unorganized public will benefit from the efforts of a well-organized group. The issues of **global warming** and preserving endangered species reveal the workings of entrepreneurial politics. The scientific community has reached near consensus about global climate change, even though some doubters remain. Build-up of carbon dioxide and other gases in the atmosphere has increased the temperature of the Earth. Such global warming can reduce the ice caps leading to coastal flooding and changing weather patterns. The Kyoto Protocol was developed to address concerns about global warming. Signatories to the protocol pledged to support the lowering of carbon dioxide by 30 percent. Businesses raised concerns about the unintended consequences of such protocols since they may have severe negative effects on the economy; therefore, the United States did not initially sign the protocol. The Obama administration, however, believes the innovation necessary to meet the Kyoto goals will spark economic growth and has attempted to implement policies that will achieve the protocol's goals.

The Endangered Species Act of 1973 passed due to the efforts of well-organized environmentalists. The act forbids killing a protected species and prohibits actions that would adversely affect the habitat of an endangered species. Concerns about endangered species have led to continued doubts about the negative consequence that the Alaskan pipeline could have. Those opposed to the act argue that the legislation has slowed the ability of businesses to develop areas of the country where these protected species reside.

Pollution as a Trigger

The **Environmental Protection Agency** (EPA) was created during the Nixon administration. Environmental groups had pushed for a number of years for such an agency. The EPA is one of the largest federal regulatory agencies. It is charged with administering policies dealing with land use, air and water quality, and wilderness and wildlife preservation. The duties of he EPA have expanded over the years to deal with many problems.

Concerns over environmental quality arose because of increasing pollution of water, air, and land. As a consequence, public pressure for programs to improve these conditions increased. Efforts were made to clean up waterways with some success. Water treatment plants for urban areas became more efficient and industrial discharges were better controlled. Other sources of water pollution remained more difficult to control, but there were many areas where virtually dead rivers and lakes were restored.

Some pollution issues might be resolved if the United States relied more on renewable energy resources. Currently, only about 7 percent of the energy used in the country comes from renewable sources like wind and solar power. Greater reliance on renewable energy would not only help to ease paying for the high cost of oil, but could reduce global warming and ease the effects of pollution. Conservation measures would work in the same way to reduce energy usage, pollution, and global warming.

The Clean Air Act of 1970 was passed in response to air pollution that sometimes became so bad in some areas that it was a health hazard for some people with compromised breathing systems. Air pollution can come from fixed points—factories and especially utility plants—and from mobile sources—cars and trucks. Coal fired utility plants created problems with direct air pollution and with acid rain that damaged forests and lakes in distant areas. The Department of Transportation was initially charged with the responsibility of reducing automobile emissions. Efforts to reduce emissions from automobiles ran into opposition from the auto industry, and many of the timetables for the reduction of such pollution were pushed into the future. The EPA dealt with problems from industries and utility plants. Much of the pollution was related to the use of coal, which accounts for 90 percent of the country's energy resources. Much of the coal being burned contributed to chemical buildups in the air. Coal mining was also dangerous for the workers because of accidents and the danger of black lung disease. The EPA was able to reduce the release of pollutants. Stack scrubbers that are designed to remove chemicals from the smoke stacks and other plant modifications were used, and many plants began to use cleaner coal from mines in the western United States. In 1990, Congress passed a reauthorization of the Clean Air Act with amendments (Comprehensive Environmental Response, Compensation, and Liability Act), which significantly increased the controls on cars, oil refineries, chemical plants, and coal-fired utility plants, as well as permitted utility plants to use emissions trading (plants that were able to reduce emissions by more than the requirement could transfer the reductions to plants that had not been able to do so).

Land pollution was often considered a lesser issue for many years. In 1977 and 1978, however, it was discovered that a suburb of Buffalo, New York called **Love Canal** had been built on land that had formerly been used as a toxic waste dump. As the investigation proceeded, it was discovered that families in the suburb were suffering from excessive numbers of illnesses related to the toxic wastes from the ground and groundwater. The whole suburb was evacuated, and the slow process of cleanup began. The families who had lived there continued to suffer from the ill effects of toxic waste exposure. The experience of Love Canal led to the passage of the Superfund, which was designed to clean up similar toxic waste sites throughout the country. It has been a slow process to first locate all the sites and then to clean them up.

Industrial farming is another area of pollution concern. The concentration of animals in closed quarters has had negative effects on surrounding lands due to inadequate waste disposal. The inadequate waste disposal also leads to pollution of waterways and the contamination of groundwater. These farms also pollute the air with noxious odors, and there are adverse health consequences for those who live near factory farms, including increases in upper respiratory.

Foreign and Defense Policymaking

The goal of foreign policy is to achieve peace and prosperity in the international community. Foreign policy is typically a struggle to achieve a middle ground between political idealism and political realism. The Constitution divides the foreign policy powers of the country between the president and Congress, which invites conflict between the two groups. Overall, however, the president is clearly the more important branch in the area of foreign policy.

The president is the commander in chief, but Congress appropriates money for foreign and military operations. Congress also has the ability to curtail economic aid to other countries, for example, although they rarely do so for fear of angering constituents. The president appoints ambassadors, but the Senate confirms them. The president negotiates treaties, but the Senate must ratify them with a two-thirds vote. Presidents can use executive agreements to avoid Senate confirmation, and the president can often conduct diplomacy that requires little funding with a relatively free hand. Although Americans often think the president is in charge of foreign policy, only Congress can regulate commerce with other nations and declare war.

The Supreme Court has attempted to clarify the constitution, ruling that the federal government has foreign policy powers beyond those specifically enumerated, but the Court has refused to delineate which branch is supreme in the case of war powers. To address this concern, Congress attempted to limit the president's control of the use of military force by passing the War Powers Act in 1973. It contained a couple of important provisions: The president must report all commitments of troops in hostile situations within forty-eight hours, and the president may make only a sixty-day commitment of troops unless there is a declaration of war that has gained approval from Congress. Ultimately, the War Powers Act had little impact on presidential military actions. Every president since its passage has sent troops abroad without congressional approval.

Important Military Interventions since 1960	
1961	U.S.-sponsored invasion of Cuba at Bay of Pigs
1961–1975	U.S. troops in Vietnam
1962	U.S. naval blockade of Cuba to prevent installation of Soviet missiles
1965	U.S. occupying troops in the Dominican Republic to block takeover by leftist political forces
1980	Unsuccessful military effort to rescue U.S. hostages in Iran
1981	U.S. military advisers in El Salvador to help the government
1982–1989	CIA support for antigovernment guerrillas in Nicaragua
1983	U.S. Marines in Lebanon as peacekeeping force
1983	U.S. invasion of Grenada to oust pro-Cuba government
1984	U.S. minesweepers in the Red Sea to clear mines
1987	U.S. Navy to escort tankers through Persian Gulf
1989	U.S. invasion of Panama to oust dictator Manuel Noriega
1991	U.S. troops, together with those from other countries, to force Iraq to end its invasion of Kuwait
2001	U.S. supports Northern Alliance in Afghanistan in war that ends Taliban regime
2003	U.S. invasion of Iraq

The Defense Budget

The peacetime military was very small until 1940. After World War II, the rise of communism and the Soviet threat left the United States struggling with the role of the most powerful military power. The United States had to fight battles to contain the communist/Soviet threat, and after the Korean Conflict in 1950s, the military did not decrease in size for decades. The Cold War military was designed to repel Soviet invasions around the world. Levels of military spending reflect the public's general support of the military in the postwar period as needed by the president, though there was a decrease in its size during the tenure of President Clinton. It began to grow again after the terrorist attacks of September 11, 2001.

Foreign policy has become crucial to governmental affairs in the past century, as the United States made the transition from isolationist country to world superpower. In this global era of high-speed connections, brief but deadly missile strikes, and free trade, it is apparent that this policy area will continue to hold an important place on every politician's agenda and in the public's mind, as well. American foreign policy is conducted mostly by the president and the executive branch, though Congress has some important responsibilities. The president serves as chief diplomat and as commander-in-chief of the armed forces. He negotiates treaties, makes executive agreements, and appoints ambassadors. He can act quickly and decisively.

The bureaucratic arm of foreign policy is the State Department. The Secretary of State is the president's top foreign policy adviser. American embassies fall under the jurisdiction of this department. The Department of Defense works closely with the State Department in matters of national security. The Joint Chiefs of Staff represent each branch of the armed forces in an advisory committee to the president. The **Central Intelligence Agency** collects information in other countries and coordinates the activities of other intelligence agencies to help the State and Defense Departments and the president make policy decisions. It sometimes plays a covert role in the governmental affairs of other nations. Congress helps to oversee foreign policy, authorizes declarations of war, and appropriates funds for national security.

The United States became involved in the Vietnam War to contain the spread of communism in Southeast Asia. The conflict resulted in massive troop commitments and heavy bombing of North Vietnam. Images of the war, its devastation, and casualties were broadcast into homes nightly by television. These images, increasing casualties, and the length of the conflict in addition to doubts about the quality of the government of South Vietnam sparked mass anti-war protests across America. Many Americans began to view the government with some skepticism. Vietnam had broader effects on policy as seen in the government's reliance on détente (peaceful agreements), which, for example, brought greater cooperation between the United States and the Soviet Union. Hostilities between the two countries and the Cold War came to an end with the fall of the Soviet Union in the late 1980s, but international relations have yet to peacefully stabilize.

Since the attacks of September 11, 2001, much of the focus of foreign policy has been on defeating terrorist groups that threaten the United States. The U.S. military involvements in Afghanistan and Iraq were a direct consequence of these efforts. The length of the military involvement with casualties and high costs eventually made these conflicts unpopular. While the threat of terrorism has been limited to some extent, it has clearly not been eliminated. It is not likely to be eliminated in the immediate future as new situations and new groups appear with some regularity.

As the most powerful country in the world, the United States has been involved in many international organizations. The United Nations remains the most important. The United States is particularly important in the United Nations since it has a permanent seat on the Security Council, and like Britain, France, Russia, and China, it can veto any action of the Security Council that it does not like. The **North Atlantic Treaty Organization** has been a key defensive alliance since the end of World War II. It joins the United States, Canada, and most European countries in a mutual defense treaty. The United States has similar arrangements with countries in Latin America, Japan, Australia, and New Zealand, among others.

The International Economy

The growth of the global economy has led to an increase in international trade over the past two decades. International economic interactions have become much more important for the United States and its general prosperity. What happens elsewhere in the world has positive or negative effects on the United States. International economic treaties have been created to address issues of international trade through such ideas as most favored nation status, where equitable trade and tariff policies are observed by foreign nations. The use of tariffs has declined to help free trade among nations. However, the trade imbalance that the United States has faced in recent years is a concern for some.

While all aspects of foreign policy can have significant effects on citizens of the United States, economic and trade policies can have the most direct effect on individual pocketbooks. Interest groups, including labor unions and businesses, are quite active in lobbying Congress to try to arrange changes in trade policies and other types of economic activities involving foreign countries. Some groups want closer ties with the global economy, and other groups seek to weaken such linkages. The World Trade

Organization (WTO) has provided structure to international trade and other forms of international economic activity. The United States has been a strong supporter of the WTO, in part because the organization has provided support for many activities that are important to the United States, such as protecting intellectual property rights (copyrights and trademarks) and making foreign investment easier.

Protests against free trade have become commonplace due to fear that weaker developing countries will be exploited by foreign governments and international businesses. In addition, the rise of developing nations has made the economy interdependent, and this has had an effect on the supplies and cost of energy. The Organization of Petroleum Exporting Countries (OPEC) and other petroleum exporting countries have benefited as demand and price have steadily increased in the past two decades. The end of the Cold War has limited the ability of the United States to gain economic concessions from its allies since these countries are much less likely to need U.S. military protection. The recent global economic problems have highlighted the interconnectedness of economic activities in various parts of the globe and made economic recovery in the United States and Europe more difficult.

Time for a quiz

- Review strategies in Chapter 2
- Take Quiz 5 at the REA Study Center

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