

UNIT V: REVIEW

PACKET

***Public Policy**

Name: _____

POLICYMAKING

One of government's primary roles is to make policy that will solve society's problems. In the United States all three branches of government and the bureaucracy make policy. Many other organizations try to influence government decisions and programs, including special interest groups, research institutes, corporations, state and local governments, as well as individual citizens.

THE POLICYMAKING PROCESS

The policymaking process regularly makes news headlines, but it is not easy to understand how the overall process works. Every policy has a unique history, but each one generally goes through five basic stages:

1. **Recognizing the problem/agenda setting** - Almost no policy is made unless and until a need is recognized. Many different groups and people may bring a problem or issue to the government's attention through interest group activities or court cases. People within the government itself have their own agendas that they push, including the president, bureaucratic agencies, and members of Congress. Of course, these sources do not agree on which issues are most important, so getting the government to set an agenda that prioritizes problems is quite a challenge.
2. **Formulating the policy** - If enough people agree that government needs to act, then a plan of action must be formulated. At this stage, generally several alternative plans from various political groups are formed. For example, if the issue is gun control, interest groups from both sides will push for different solutions, and reaching a solution almost always involves compromise all around.
3. **Adopting the policy** - In this third stage, the policy becomes an official action by the government. It may take the form of legislation, an executive or bureaucratic order, or a court decision. Policy is often built in a series of small steps passed over time, so this stage may be quite complex.
4. **Implementing the policy** - For an adopted policy to be effective, government must see that it is applied to real situations. For example, if new gun control laws are set in place, government officials must make sure that the general public knows about them. They must also put enforcement in place and see that violators are punished appropriately.
5. **Evaluating the policy** - Evaluation of the good or the harm created by a policy usually takes place over an extended period of time. Policies that may seem sound at the start may have unforeseen negative consequences or unexpected costs. Inevitably, some will call for changes and/or corrections, and others will disagree. The whole process occurs again, starting with recognition - or re-recognition - of the problem. As a result, policymaking is a continuous process, and government at any given time is at various stages with numerous issues.

ECONOMIC POLICY

How much responsibility should the government have for keeping the United States economy healthy? That question has been answered in many different ways throughout our history. Until the twentieth century the country followed the *laissez-faire* (literally, "to leave alone") policy, which required a free market without any intervention from government. With President Franklin Roosevelt's New Deal era of the 1930s came **Keynesian economics**, or the opposite belief that the government should manage the economy. Today the U.S. economic policy lies somewhere in between - government should regulate and sometimes manage, but should allow a free market whenever possible. Political and business

leaders disagree on how much control is enough.

The budgeting of public funds is one of the most important decision making processes of government. Nothing reflects the growth in public policy and the rise of big government more clearly than the increased spending by the federal government. For example, in 1933, the annual federal budget was about \$4 billion. Today the national budget is more than \$2.5 trillion, or about 20 percent of the gross domestic product. The national debt is about \$4 trillion, and in 2004 the **deficit** (amount overspent in a given year) was about \$412 billion.

FISCAL POLICY

Fiscal policy affects the economy by making changes in government's methods of raising money and spending it.

Where the Money Comes From

Not surprisingly, most government revenue comes from taxes, but some comes from interest, fees, and borrowing.

- **Federal Income Taxes** – The income tax is the largest single source of federal revenue today, providing almost 40% of the national government's total revenues. It is a **progressive tax** – the higher the income and ability to pay, the higher the tax rate. Not only individuals pay income taxes, corporations do, too. About 10 percent of federal government revenues come from corporate income taxes. Today tax codes are so complex that most ordinary citizens don't understand them. As a result, many critics have called for tax codes to be simplified.
- **Social Insurance Taxes** – The largest social insurance taxes are for Social Security and Medicare. Employers apply these taxes to their employees, who are then eligible to receive Social Security benefits when they get older. Social insurance taxes fund the Social Security and Medicare programs. These taxes account for almost 1/3 of the total federal government revenues collected.
- **Borrowing** – The government regularly borrows money – most of it from its own taxpayers – to fund its expenses. **Deficit spending** occurs when the government spends more money than it takes in within any given fiscal year. Starting in the early 1990s Congress began considering required balanced budget amendments/ legislation in order to cut the national debt. With increased tax revenues from the economic boom of the 1990s, deficit spending decreased and turned into a surplus, but governments generally borrow more money during wartime than during peace, so the war on terrorism and the war in Iraq put the country back into deficit spending during the early 2000s.
- **Other Taxes** - A small percentage of revenue comes from other taxes, such as excise taxes, estate taxes, customs, duties, and tariffs. Excise taxes are levied on goods and services, such as liquor, gasoline, cigarettes, air travel, and telephones. These are regressive taxes, meaning that they are the same for everyone, and are not based on income. Estate taxes are levied on the money and property that are inherited when an individual dies, but are generally only levied on large estates. Customs, duties, and tariffs are levied on goods imported into the United States.

Where the Money Goes

The government now spends more than \$2.5 trillion a year, as provided in the federal budget. Each year the President submits a federal budget for approval by Congress for money to be spent starting in October of that year. Government spends its revenue on many different things, but three major categories are entitlements, national defense, and the national debt.

- á **Entitlement Programs** ö These payments are required by law, and are given to people meeting particular eligibility requirements. The largest programs are Social Security (pensions for older Americans), unemployment insurance, Medicare (medical benefits), and federal retirement pensions. Social Security and Medicare amount to about 41 percent of federal spending per year.
- á **National Defense** - The second largest amount goes for national defense. Today about 18 percent of the total budget goes for defense, in contrast to 28 percent in 1987, when the cold war was still going on. However, the current war on terrorism and the war in Iraq have escalated defense expenditures again, up from about 16% in 2001.
- á **National Debt** - The third largest amount ö about 8 percent ö pays interest on the **national debt**, a figure that has also decreased in recent years.

Other expenditures are highway construction, education, housing, and foreign aid.

MONETARY POLICY

Monetary policy is the government's control of the money supply. The government can control how much or how little is in circulation by the amount of money that they print and coin. If too much money is out there, it tends to cause **inflation**, or the devaluation of the dollar. Too little money in circulation and the opposite ö **deflation** ö occurs.

The powerful arm of government that controls the money supply is the **Federal Reserve System**, which is headed by the **Federal Reserve Board**. The board is designed to operate with a great deal of independence from government control. One important way that the Fed controls the money supply is by adjusting interest rates ö high rates discourage borrowing money, and low ones encourage it.

The Federal Reserve Board's seven members are appointed by the president and are approved by the Senate for 14-year, nonrenewable terms, and the president may not remove them from office before their terms are up. The chair is elected by the board for four years, and may be reelected. The Board heads the Federal Reserve System, which was created by Congress in 1913 to regulate the lending practices of banks. It consists of 12 regional banks, which in turn supervise a total of about 5,000 banks across the United States.

FOREIGN POLICY

Until the 20th century, the United States was generally guided by an **isolationist foreign policy**, or the philosophy that we should avoid "entangling alliances" (the words of George Washington) whenever possible. Then, in the 20th century our involvement in World War I and World War II thrust us onto the world stage.

In the years after World War II, the United States was guided generally by **containment**, the policy of keeping communism from spreading beyond the countries already under its influence by about 1950. The policy applied to the United States's role in the **cold war**, a struggle between the United States and the Soviet Union for world power. With the collapse of the Soviet Union in 1991, containment no longer made sense, so in the past ten years, the U.S. has been redefining its foreign policy.

We have been active participants in many international organizations, such as the United Nations, but Americans disagree on just how much world involvement is appropriate. And then with the September 11 attacks on the World Trade Towers and the Pentagon, the United States finds itself spearheading an international war on terrorism. These developments conjure up the old questions within a very different set of circumstances. How actively should we fight terror? What, if any, are the limits? President Bush's decision to invade Iraq in 2003 to remove Saddam Hussein from power was controversial, and

remains so, especially as the coast of the war has escalated.

FOREIGN POLICY GOALS

To try to redefine foreign policy under the new set of circumstances brought about in 2001, we can begin with the Department of State, whose primary duty has always been the security of the nation. State Department goals include:

- Protecting national security
- Providing international leadership in developing world peace
- Insuring a balance of power; keeping aggressive nations from overpowering weaker ones
- Cooperating with other nations in solving international problems
- Promoting human rights and democratic values
- Fostering cooperative foreign trade and globalization of trade through international organization

These goals are both national and international in nature, and the 2001 attacks on the World Trade Towers and the Pentagon confirm the fact that national and international interests are not easily separated any more. President George W. Bush used a policy of **preemption** to justify the war in Iraq, or the principle of attacking before being attacked. A major reason for invading Iraq presented by the Bush administration was to locate and destroy weapons of mass destruction within the country's borders. However, such weapons were never found during the U.S. occupation of the country.

WHO MAKES FOREIGN POLICY?

Many people and organizations within government have a hand in setting United States foreign policy. The main objective of foreign policy is to use **diplomacy** – conferences, meetings, and agreements – to solve international problems. They try to keep problems from developing into conflicts that require military settlements.

- **The President** – The leader in foreign policy is almost always the president. Presidents, or their representatives, meet with leaders of other nations to try to peacefully solve international problems. According to the Constitution, presidents sign treaties with other nations with the advice and consent of the Senate. So the Senate, and to a lesser extent, the House of Representatives, also participate in shaping foreign policy. Presidents may also make **executive agreements** with other heads of state that do not require Senate approval.
- **The Secretary of State** As the head of the State Department, the Secretary is the chief coordinator of all governmental actions that affect relations with other countries. The State Department also includes the **Foreign Service**, which consists of **ambassadors** and other official U.S. representatives to more than 160 countries. Ambassadors and their staffs set up embassies in the countries and serve as the major American presence in their respective assigned countries. They protect Americans abroad and are responsible for harmonious relationships with other countries.
- **The National Security Council** - As part of the Executive Office of the President, the Council helps the president deal with foreign, military, and economic policies that affect national security. Its members are the president, the vice president, the secretary of state, the secretary of defense, and any others that the president designates. The **national security adviser** coordinates the Council, and often has as much influence as the secretary of state, depending on his or her relationship to the president.
- **The Central Intelligence Agency** - One of the most famous of all government agencies, the CIA gathers, analyzes, and transmits information from other countries that might be important to the security of the nation. Although the CIA is best-known for its participation in spy cases and

ãtop secretã investigations, much of its work is public and routine. The CIA director is appointed by the President and confirmed by the Senate

With the passage of a major intelligence bill in late 2004, intelligence gathering was altered significantly. The bill created a national intelligence director, who certainly will play a major role in shaping foreign policy in the future.

MILITARY POLICY

Until 1947 the Cabinet-level official most directly responsible for military policy was called the secretary of war. The name changed to ãsecretary of defense,ã and the department that this official heads has more federal employees than any other in the government. The department of defense is headquartered in the Pentagon, where about 25,000 military and civilian personnel work. The secretary of defense is always a civilian, and he supervises three large military departments ö Army, Navy, and Air Force.

Under the Constitution, the president is commander-in-chief of the armed forces, and he has used that authority to order American military forces into combat on many occasions. During peacetime, his most important military powers are those he exercises through the secretary of defense in managing the Department of Defense. The president and secretary of defense make important decisions regarding the military budget and distribution of funds among the military services.

The most important military advisory body to the secretary of defense is the **Joint Chiefs of Staff**. Its five members are the chiefs of staff of the three military departments, the commandant of the Marines, and a chair. All of the service chiefs are appointed by the president and must be confirmed by the Senate. Only the secretary of defense, however, sits on the presidentãs cabinet and on the National Security Council.

SOCIAL POLICY

The preamble to the Constitution states that ãWe the People of the United States, in Order to create a more perfect Union, establish Justice: promote the general Welfare-do ordain and establish this Constitution-ã Social policy is set with this important charge in mind.

The interpretation of the governmentãs responsibility for the welfare of its citizens has changed over time and remains controversial today. The government currently assumes major responsibilities in three key social policy areas: health care, welfare, and education.

Health Care

Health care is controversial today concerning the issue of a national health insurance program. In 1993 Congress defeated President Bill Clintonãs proposed plan to provide all citizens with basic insurance coverage for doctor fees, hospitalization, and prescription drugs. On the other hand, most people accept governmentãs role in medical research and regulating food and drugs. **The Public Health Service** researches, gathers information, and monitors health care. **The Food and Drug Administration** regulates the labeling and processing of most foods, drugs, and cosmetics. **The Center for Disease Control** gained a new importance during the 2001 Anthrax scare following the September 11 attacks on the World Trade Towers and the Pentagon.

Welfare

To many Americans, the phrase ãwelfareã ö right out of the preamble to the Constitution - often conjures images of irresponsible recipients who take welfare payments from the government instead of working. In truth, most Americans during their lifetimes will be the recipients of government welfare.

The most extensive single welfare program is **Social Security**, a social insurance plan for the elderly, poor, and disabled. Employees and employers contribute to a fund through payroll taxes, and virtually everyone who contributes for at least ten years is eligible for payments. Most Americans support the program as long as it's called "Social Security," and not "welfare." Other public assistance programs include Medicare, Medicaid, Aid to Families with Dependent Children, and food stamps.

Education

Public education is generally regarded as the responsibility of states and local communities, so the federal government's role in this area is limited. Today most federal funds go to higher education, primarily in the form of student loans and grants. Since the 1950s the federal government has provided funds for public education grades 1-12, particularly for programs to upgrade science, language, and mathematics. Other programs, such as **Head Start** for preschoolers, focus on helping underprivileged children. However, the federal government today funds less than 10 percent of the total amount spent on education in the United States. A recent initiative by President George W. Bush is Leave No Child Behind, a comprehensive program that sets standards and schedules for testing, curriculum, and teacher qualifications. The program has been controversial, partly because it has imposed unfunded mandates on the states.

REGULATORY POLICY

The U.S. government first began regulating individuals, businesses, and its own agencies during the late 1800s. Since then, the government's regulatory role has grown rapidly, so that today most activities are regulated in some way by the federal government. Important regulatory activities of the government include:

- á **Regulating business.** The national government began regulating business in the late 1800s in order to eliminate **monopolies**, businesses that have exclusive control of an industry. Government now regulates a wide array of business practices, including elimination of competition and fraudulent product offerings.
- á **Regulating labor.** Labor regulations became a major focus of the government during the 1930s. Then as now, most labor policies have been made to protect the American worker. The government has promoted equal employment opportunities, safe and sanitary workplace standards, and fair bargaining practices between employer and workers.
- á **Regulating energy and the environment.** Energy policies are coordinated by the **Department of Energy**, created in the late 1970s in the wake of worldwide oil and gas shortages. A major concern of energy policy makers is maintaining a supply of cheap energy that the country depends on for most of its activities. Many are alarmed by the country's dependence on Middle-Eastern Oil, and others keep a watchful eye on depletion of U.S. natural resources and damage to the environment. Environmental policy, on the other hand is the responsibility of many different government departments and agencies. Especially important is the **Environmental Protection Agency**, which enforces policies on water and air pollution, pesticides, radiation, and waste disposal.

Many different people take part in setting U.S. public policy. Some groups that form close links to individual citizens participate in policy making, particularly interest groups, the media, and political parties. Within the government itself, all three branches have a say, and in any one area, policies are usually set by any number of people having input at many points in the process.

~~*~~ circle correct answer

1. Which economic policy was generally followed by the United States government until the twentieth century?

- a) laissez-faire
- b) detente
- c) Keynesian
- d) containment
- e) isolationism

2. Which of the following is a basic principle behind Keynesian economic policy?

- a) The free market should operate without any intervention from government.
- b) A basic responsibility of government is to manage the economy.
- c) The government should own all major means of production and distribution in the economy.
- d) The government should allow a free market to operate whenever possible, but should be prepared to regulate when necessary.
- e) Government should set fiscal policy but not monetary policy.

3. The largest single source of federal revenue today is

- a) individual income taxes
- b) corporate income taxes
- c) social insurance taxes
- d) borrowing
- e) estate taxes

4. Which of the following is the largest category of government expense?

- a) entitlement programs
- b) national defense