

Chapter 13: Making Domestic Policy

- I. Untitled introduction
 - A. Political agenda
 - B. Vast expansion since 1930s
 - 1. Crisis
 - 2. Shift in political mood
 - a. Interest group activity
 - b. Media attention
 - c. Government department/agency initiative
 - d. Coalition building
- II. Politics and the economy: free-market v. state-run v. mixed
 - A. What economic numbers hurt the president?
 - 1. Unemployment
 - 2. GDP
 - 3. Inflation/interest rates
- III. How the government tries to manage the economy
 - A. Monetary policy Box, p. 322
 - 1. Buying/selling federal government securities
 - 2. Raising/lowering the reserve ratio
 - 3. Raising/lowering the discount rate
 - B. Fiscal policy (taxes v. spending)
 - 1. Taxes Figure 13.1, p. 323
 - a. Theories
 - (1) Keynesian (counter-cyclical fiscal and monetary policies)
 - (2) Supply-side (tax-cuts regardless of cycle)
 - b. Practice
 - c. Comparison to unitary/parliamentary systems Figure 13.2, p. 324
 - 2. Spending
 - a. Defense v. domestic programs
 - b. Not means-tested (contributory programs)
 - (1) Social Security
 - (2) Medicare
 - c. Means-tested (non-contributory programs)
 - (1) Medicaid
 - (2) SSI
 - (3) Earned Income Tax Credit
 - (4) Temporary Assistance to Needy Families (formerly AFDC)
 - (a) Workfare within two years
 - (b) Five-year limit
 - 3. Subsidies (spending continued)
 - a. Economic – more common
 - b. Social – less common
 - 4. Regulations
 - a. Economic – less common
 - b. Social – more common

IV. Making policy decisions Pp. 327-33 Figure 13.3, p. 328

DISTRIBUTION OF PERCEIVED COSTS		
DISTRIBUTION OF PERCEIVED BENEFITS	WIDE	NARROW
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WIDE	<i>MAJORITARIAN</i>	<i>ENTREPRENEURIAL</i>
NARROW	<i>CLIENT INTEREST-GROUP</i>	<i>RIVAL INTEREST-GROUP</i>
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- A. *Majoritarian* politics
 - 1. Definition
 - 2. Examples: U.S. foreign policy during WWII and the Social Security program from 1935 until recently
 - B. *Client interest-group* politics (sometimes called *iron-triangle* or *special-interest* or *pork-barrel* politics)
 - 1. Definition
 - 2. Examples: many subsidy programs
 - C. *Rival interest-group* politics
 - 1. Definition
 - 2. Examples: many pocket-book issues and social/moral value conflicts
 - D. *Entrepreneurial* politics
 - 1. Definition
 - 2. Examples: many examples of liberal & conservative policy entrepreneurs
- V. What these political differences mean
- A. Any type of politics can be good or bad
 - 1. Majoritarian politics is not always *good*: e.g., mistreatment of African Americans, Native Americans, Americans of Japanese descent
 - 2. Client politics is not always *bad*: e.g., public subsidies for public-university-student tuition
 - B. Some issues don't fit neatly into only one category: e.g., many foreign policy issues
 - C. Perceptions about the distribution of costs and benefits can change dramatically, e.g., Medicare -- when it was first enacted, no one foresaw the enormous growth in health-care costs
 - D. Many controversies can be defined or perceived in more than one way, e.g., Social Security
 - 1. Boomers see it as *majoritarian* politics: everybody contributes and benefits
 - 2. Generation Xers see it as a *rival-interest-group* issue where earlier generations will receive 100% of their benefits but the post-boomer generation will only receive 75% of their promised benefits