I. Untitled introduction
   A. Size of government (public-sector) expenditures has significantly increased across the 20th century
      \[ \text{GDP} = \text{the total value of all goods and services produced in a year in a state} \]
      1. Sweden – parliamentary/unitary/multi-party state that has maintained neutrality
      2. United Kingdom – parliamentary/unitary/two-party state that fought two world wars
      3. United States – presidential/federal/two-party state that has the biggest defense budget in the world
   B. Social-welfare programs are expensive – socialist states have larger government expenditures (USSR ~ 90%; Sweden ~ 60% GDP; UK ~50%; U.S. ~ 40%)
   C. A strong military is expensive – big wars account for big jumps in government expenditures & economic regulations
   D. Privatization of the economy has been limited in the West (the industrialized anti-communist states) compared to the East (the former Communist bloc nations) since the end of the Cold War

II. The role of government in the Third World
   A. Definition: a varied but generally poorer, lesser-developed set of states in Latin America, Middle East, Africa, and Asia
      1. Were often non-aligned during the Cold War (neither East nor West)
      2. Generally produced raw materials or basic products rather than high-tech products and services (although, this is rapidly changing with globalization)
      3. Were often non-democratic but have generally become more democratic since the end of the Cold War
   B. Size of Third-World government expenditures is typically less than in the developed/industrial states

III. What do governments do?
   A. Transfer of resources (income, wealth, property)
      1. Most common redistributions in U.S.
         a. Between classes
         b. Between generations
      2. Consequence: inequality between both classes and generations are increasing in the U.S.

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Not Since the 20’s Roared
The very wealthiest Americans — the 145,000 or so taxpayers whose incomes start at $1.6 million and put them in the top 0.1 percent — have pulled away from everyone else in recent decades, an analysis by The New York Times shows.

GROWTH IN INCOME
The share of the nation’s income earned by the taxpayers in the top 0.1 percent has doubled since the 1970’s, and in the year 2000 exceeded 10 percent, a level last seen in the 1920’s.

GROWTH IN WEALTH
Even after adjusting for inflation, there are five times as many households as there were two decades ago with a net worth of more than $10 million. Not all have high incomes.
B. Subsidies with strings attached
   1. Direct payments
   2. Tax policies: exemptions, credits, deductions
C. Regulation
   1. To guarantee order
   2. To guarantee equality
D. Development and administration (of civil society)
   1. Types
      a. Nationalization: The taking over of a private enterprise by government, usually with compensation to the former owner(s).
      c. Mixed economy: varying degrees of regulation and subsidization of privately owned & operated enterprises
      d. Free market: total privatization – we come closest to this option in religious worship activities
   2. Why governments are expanding \[\text{Box, p. 80}\]
      a. As people & organizations become more prosperous (or powerful), they want (or demand) more services from government
      b. As governments have become more clever at using “hidden taxes” (e.g., excise taxes & payroll withholding) they can get away more easily with raising tax rates
      c. As elections become more costly, candidates, parties, & office holders are more beholden to contributors with deep pockets
      d. Iron triangles (symbiotic relationships among special interests, elected officials, & bureaucrats) are very difficult to eliminate and instead tend to expand over time
      e. States must grow their governments to respond to external threats from globalization of the world economy
IV. Defense policy \[\text{Table 4.2}\] some of the poorest countries spend the most (as a % of GDP)
V. Education \[\text{Table 4.3}\] most countries (including the U.S.) spend more on education than defense because of the far greater economic-development rewards
VI. Research and development \[\text{Table 4.4}\] because of globalization, the 1st-world countries are losing their past monopoly in this area – outsourcing of jobs is no longer limited to blue-collar jobs but now includes high-tech specialties
VII. Health and social welfare \[\text{Tables 4.5 & 4.6}\] developed countries typically spend more public & private funds than 3rd-world countries, but don’t always receive higher benefits proportionate to spending (e.g., U.S. health measures rate lower due to higher inequality in incomes & education)
VIII. Democracy and public policy: biggest difference with non-democratic countries is in health & welfare spending – less consistent differences in defense spending
IX. The place of power in policy analysis (I will deal with this in Chapter 6)
X. Example: the demographic challenge – especially aging populations in 1st-world nations with resulting implications for pensions (pay-as-you-go v. pre-funded; defined benefit v. defined contribution) and immigration policy
XI. Example: economic development (e.g., GDP, median family income) compared with human development (e.g., life expectancy & quality of life) \[\text{Table 4.7}\]
XII. Example: Uganda, an African AIDS success story – ABC program – abstinence, being faithful, & condoms