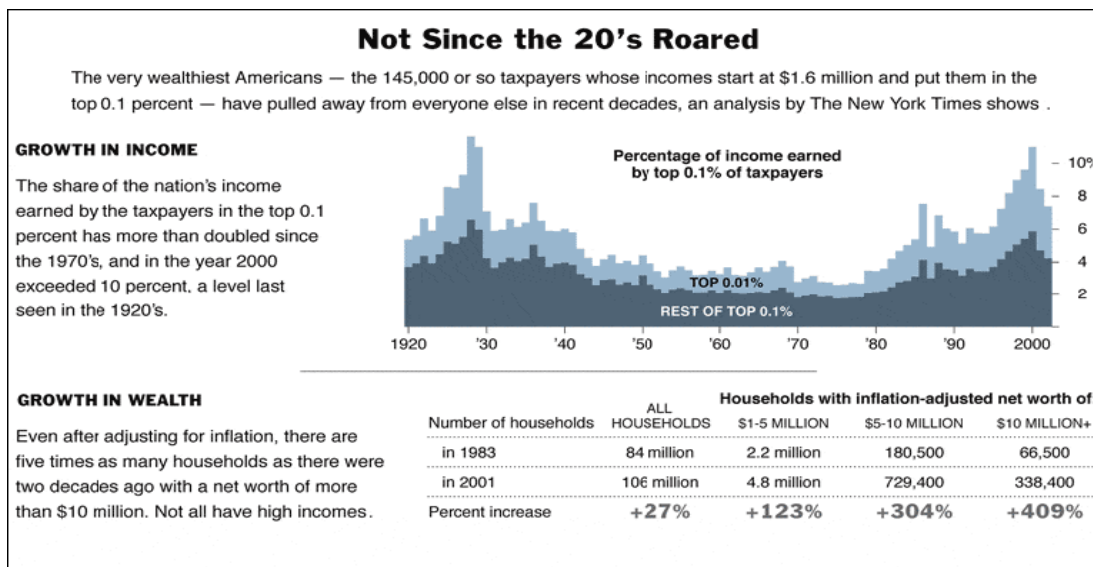


- I. Untitled introduction
  - A. Size of government (public-sector) expenditures has significantly increased across the 20<sup>th</sup> century
    - Figure 4.1 [GDP = the total value of all goods and services produced in a year in a state]
      1. Sweden – parliamentary/unitary/multi-party state that 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
    - Table 4.1
  
- 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.



- 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).
    - b. **Expropriation**: the confiscation of private property by a government, usually without compensation.
    - 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 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 Table 4.2 some of the poorest countries spend the most (as a % of GDP)
  
- V. Education 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 Table 4.4 because of globalization, the 1<sup>st</sup>-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 Tables 4.5 & 4.6 developed countries typically spend more public & private funds than 3<sup>rd</sup>-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 1<sup>st</sup>-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) Table 4.7
  
- XII. Example: Uganda, an African AIDS success story – ABC program – abstinence, being faithful, & condoms