CHAPTER 18 - Domestic Policy

OVERVIEW

Domestic policy consists of all government programs and regulations that directly affect those living within a country. Social policy consists of programs designed to help those thought to be in need of government assistance. In the United States, a major concern is seeking to balance the needs of the young and the elderly. Programs for the elderly are financed lavishly; those for children are not.

Democrats tend to want to spend more on social and educational policy and they usually favor more regulation. Republicans typically think government spends and regulates too much. Both, however, tend to agree when it is clear what the public desires and for which it is willing to vote.

OUTLINE

I. Types of Public Policy

- Domestic policy consists of all government programs and regulations that directly affect those living within a country. These policies come about as the result of a complex process known as the policy-making round. It consists of several stages.

  A. Stages of Policy Making

  - The first stage is agenda setting, making an issue visible enough that important political leaders take it seriously. The second stage is policy deliberation, the debate and discussion over issues placed on the policy agenda. The third is policy enactment, the passage of a law by public officials. The fourth is policy implementation, the translation of the law into an actual set of government programs or regulations. The final stage occurs when businesses and individuals feel the effects of the policy.

II. Social Policy

- Social policy consists of programs designed to help those thought to be in need of government assistance.
- People may be thought to be in need of help because they are old, infirm, young, disabled, unemployed, or poor, or some combination of these. In the United States, a major concern is seeking to balance the needs of the young and the elderly.

  A. Social Insurance for Senior Citizens

  - As the population has aged, government has expanded programs to meet the retirement income and medical needs of the elderly.

    1. Origins and Development of Social Insurance Programs

    - During the Great Depression when poverty among the elderly was particularly acute, President Franklin Roosevelt appointed an advisory committee to consider the problem. The committee recommended a program of social insurance. Under the program, people would make contributions to a fund during the years they were employed and receive monetary benefits when they retired. Congress enacted the program in 1935 with the Social Security Act which created a broad range of social programs.

- Initially, the Social Security program costs the government very little. Gradually, the program expanded in both the number of people covered and the length of their retirement. In 1965, Congress enacted Medicare, which provided social security recipients a broad range of medical benefits. In 1972, Congress gave senior citizens a large increase in their monthly Social Security check and indexed this amount to the cost of living.
- Because these programs are based on the insurance principle that people pay into the program and expect benefits later, a retiree does not have to be needy to receive benefits.
- But Social Security differs from a true insurance program in one major respect: it operates at a loss. From the beginning, Social Security has given most people more in benefits than they contributed in their Social Security tax.
- This is possible due to three factors.
- First, the number of workers, and hence the monetary contributions into the system, has grown.
- Second, workers today produce more and earn more than their predecessors, meaning more money is available.
- Third, workers today pay a higher percentage of their earnings in Social Security taxes than their predecessors did.
- Unfortunately, all three of these factors are disappearing, so unless something is changed, the Social Security fund is expected to be running a deficit by the time today's college sophomores are 50 years of age.

2. Politics of Social Insurance

- Social Security is a sacred cow. Politicians do not dare tamper with it.

  i. The Risks of Change to Social Security

  - In 1981, President Reagan suggested placing limits on the growth of social security. Some claim that the Republican loss of the Senate two years later was due to this suggestion.
  - Only once, in 1983, did Congress make significant cuts in Social Security benefits. Since then, no major cuts have been suggested by leaders of Congress or presidential candidates of the major parties.

  ii. Complexities of Medicare

  - The costs of Medicare have increased rapidly since 1970. Although Congress has tried to take steps to prevent increases in these costs, increases continue. The kind of steps needed to really lower costs would be politically unwise for politicians.

  iii. The Influence of Senior Citizens

  - Senior citizens have clout due to their tendency to vote more than the average voter. They also are more politically active and join organizations that lobby for their interests. The American Association for Retired Persons (AARP) is the largest interest group in the United States.

iv. Broad Support

- Young people are supportive of Social Security, too. The broad support for Social Security is because (a) most people hope to benefit from it someday, (b) it relieves young people of some of the burden of caring for their parents, and (c) it is viewed as deserving (the insurance factor).

III. Public Assistance to Poor Families

- Neither political party is strongly committed to expanding programs for poor families. No association comparable to the AARP defends the interests of poor families with children.

A. Origins and Development of Public Assistance Programs

- Public assistance consists of programs that provide low-income households with limited income and access to essential goods and services. These safety net programs include the following:

1. Temporary Assistance for Needy Families (TANF)

- Congress passed this program in 1996, giving the responsibility to the states with some guidelines that states must follow. It replaced the Aid to Families with Dependent Children (AFDC) program created in 1935. Known as "the welfare program," it was politically unpopular.

2. Food Stamps

- Congress created this program in the 1970s. It gives "stamps" to people who qualify, which can be used to purchase food.

3. Earned Income Tax Credit (EITC)

- This program returns the taxes paid to those who have little income as a way of helping the working poor. One who fills out a tax return can receive an EITC reimbursement even if no taxes have been paid.

4. Supplemental Security Income (SSI)

- This program provides disabled people of low income with income assistance.

5. Rent Subsidies

- This policy helps low-income families pay their rent, provided they select designated housing.

6. Medicaid

- Established in 1965, this program pays for medical services for the poor. Today, over one-fourth of all Medicaid costs cover the medical expenditures of low-income senior citizens.

7. State Children's Health Insurance Program

- SCHIP covers health insurance for children in low- income families not poor enough to be eligible for Medicaid.

B. Limitations of Public Assistance Programs

- The actual government expenditures for programs to help poor families are only one-tenth of what is spent on the elderly. Furthermore, programs for poor families are more restrictive than programs for senior citizens. Six factors explain this:

1. **Fewer Cash Benefits** - The elderly get much more of their aid in cash, which most people prefer.
2. **Less Indexation** - Less of the aid to poor families is indexed to adjust with inflation.
3. **Assistance, Not Insurance** - Unlike Social Security, programs for families with children are not paid out of an insurance fund.
4. **State, Not National, Programs** - For all the major programs for poor families (except EITC), eligibility rules and benefit levels vary from state to state. Social Security, however, is a national program.
5. **Benefits Cannot Supplement Income** - Programs for poor families with children substitute for other income; they do not supplement it. Yet for senior citizens, benefits supplement the recipients' own resources.

C. Politics of Public Assistance

- Programs for poor families with children are poorly funded and restrictively designed because, unlike the elderly, children do not exercise direct political power.

1. Policy Debate

- Policy experts disagree as to the cause of the increasing poverty rate.
- Liberals say the cause is the government not providing enough assistance for the poor.
- Conservatives say the cause is cultural, specifically a mentality encouraged by welfare, in which young people are encouraged to place short-term pleasures ahead of long-term goals.
- Finally, sociologist William J. Wilson attributes increasing poverty to the decline of unskilled jobs.

2. Group Organization

- Unlike the elderly, children have no large group to speak on their behalf. Rather, many small competing groups take stances as varied as the alternative explanations for rising poverty rates.
- On the liberal side is the Children's Defense Fund. On the conservative side is the Family Research Council.

3. Public Opinion

- The general public wavers between liberal and conservative explanations for rising poverty rates.

4. Political Parties

- Parties, like the public, waver on the issue. Democrats tend to take a liberal position and Republicans a conservative position, but leaders in both parties often search for the middle ground.

IV. Education Policy

- Historically, Americans have supported a large, well-financed educational system.
- Though still strong, the commitment has waned somewhat in recent years.

A. Local Control

- Responsibility for education is divided among local school boards, state departments of education, and the federal Department of Education, but the bulk of control over education policy remains at the state and local levels. Today, 95 percent of the cost of public education is paid for out of state and local budgets, each contributing about half.

B. Contemporary Issues in Education Policy

- The traditional commitment to public schools is slipping. Financial support has increased only slightly over the past 25 years.
- In addition, students aren't learning as much.
- Liberals and conservatives disagree as to why. Liberals say is it a matter of too few resources. Conservatives say the problem is in how the schools are run. Critics offer two contrasting solutions. Some, like President Clinton, advocate national standards. Others think the solution is in allowing parents their choice of which schools their children will attend (the voucher system). It remains to be seen if the Supreme Court will declare vouchers unconstitutional.

C. Politics of Education

- In recent years, the two major parties have begun to disagree over several educational issues. Republicans tend to favor revamping the entire school system. Democrats, who have been supported by the National Education Association and the American Teachers Federation, reject this notion.
- For all the current discontent, Americans still think schools are crucial for achieving the American dream. Hence, bipartisan support should continue.

V. Regulatory Policy

A. The Rise of Federal Regulation

- Government regulation consists of rules and standards that control economic, social, and political activities.
- In the United States the basis for regulation is found in portions of the Constitution such as the commerce clause. The first national independent agency created to regulate an industry was the Interstate Commerce Commission (1887). Since then, Congress has basically gone on, since the New Deal with the Supreme Court's blessing, to regulate numerous activities.
- Several major regulatory laws were passed during the Progressive Era. Many more were created during the New Deal. The third wave of regulatory innovation took place during the 1960s and 1970s as part of the Great Society. The most important of the new agencies formed was the Environmental Protection Agency (EPA).

B. Justifications for Regulation

- Scholars have identified three broad types of circumstances in which they find government regulation most easily justified.

1. Natural Monopoly

  - In a situation known as a natural monopoly, a public service is best provided by a single company. Regulation of such a company is a must to prevent unnecessarily high prices.

2. Negative Externalities

- The government may also regulate to prevent or adjust for externalities, consequences of activities that do not directly affect those engaged in them, such as air pollution.

3. Incomplete Information

- Regulations are used to protect those who cannot be expected to be well informed, most notably consumers. Consumers, for example, cannot know all about pharmaceutical products. Hence the need for an agency like the Food and Drug Administration (FDA).

C. The Politics of Regulation

- When and how regulation takes place is a political decision.

1. Congress

- Sometimes regulations are created as a reaction to a well-publicized incident or disaster. Congress passes such regulations as a way of telling the public it is doing something about the incident. Of course, some people, no matter how obvious the need for regulation, will object.
- To deflect such criticism, Congress assigns the making of the regulations to someone in the executive branch, engaging in what is known as blame avoidance.
- The language of the law assigning the regulatory power to an agency may be vague due to the need for flexibility, but also so that Congress can seek to please everyone. In rare cases, Congress will include a "hammer", a harsh penalty, in case legislative goals are not met.

2. Agency Discretion

- Although agencies often have discretion in deciding how to execute their mandates, there exists a zone of acceptance, a range within which Congress will accept that whatever an agency decides is the correct interpretation of the statutes.

3. Courts

- The courts are often called upon to interpret statutes, which, if the laws are vague, give them wide discretion as to the statutes' meaning.

D. Deregulation

- Because regulations may suppress goods consumers want and because regulating can be expensive, Congress has introduced in many areas policies of deregulation, the removal of government rules that once governed an industry.
- Perhaps the most celebrated deregulation occurred within the airline industry. While this was viewed primarily as a success, some regulations of airlines will continue because the public will always expect government to act in response to crises and disasters.