

AP US Government - Chapter 18

Types of Policy

- Domestic Policy
 - A policy that involves choice-taking regarding issues and activity within a nation's borders
 - Social policy, environmental policy, healthcare, education, etc.
- Foreign Policy
 - A policy that involves choice taking, but additionally involves choices about relations with the rest of the world
 - Sanctions, war, embargoes, aid, etc.
- Monetary Policy
 - The manipulation of the supply of money in private hands by which the government can control the economy
 - Controlled by the Federal Reserve
- Fiscal Policy
 - The policy that describes the impact of the federal budget – taxes, spending, and borrowing – on the economy
 - Controlled by Congress and the president

What is Social Policy and Why is it so Controversial?

- Social welfare policies provide benefits to individuals through:
 - **Entitlement programs:** government benefits that certain qualified individuals are entitled to by law, regardless of need
 - **Means-tested programs:** government programs only available to individuals below a poverty line

Income, Poverty and Public Policy

- Who is getting what?
 - Income: amount of funds collected btwn any 2 points in time
 - Income distribution: the “shares” of the national income earned by various groups
 - Wealth: value of assets already owned
 - One third of America's wealth is held by 1% of the population
- Who is poor in America?
 - The poverty line: considers what a family must spend for an “austere” standard of living
 - 36.5 million Americans – about 12.3% - were poor in 2006
 - Feminization of poverty: high rates of poverty among unmarried women

- What part does government play?
 - Taxation
 - Progressive tax: people with higher incomes pay a greater share
 - Our current income tax system
 - Proportional tax: all people pay the same share of their income
 - Flat tax
 - Regressive tax: burden falls relatively more heavily on low-income groups – opposite of a progressive tax
 - Proportional taxes are accused of being regressive taxes
 - Earned Income Tax Credit: “negative income tax” that provided income to very poor people in lieu of charging them income tax
 - Government expenditures
 - Transfer payments: benefits given by the government directly to individuals
 - Some transfer benefits are actual \$, such as Social Security – entitlements
 - Other transfer benefits are “in kind” benefits where recipients get a benefit without getting actual \$ such as food stamps – means-tested

Table 18.2 The Major Social Welfare Programs

Program	Description	Beneficiaries	Funding
<i>Entitlement Programs – “Social Insurance”</i>			
Social Security	Monthly payments	Retired or disabled people and surviving members of their families	Payroll tax on employees and employers
Medicare (Part A)	Partial payment of cost of hospital care	Retired and disabled people	Payroll taxes on employees and employers
Medicare (Part B)	Voluntary program of medical insurance (pays physicians)	Persons 65+ and disabled Social Security beneficiaries	Beneficiaries pay premiums
Unemployment Insurance	Weekly payments; benefits vary by state	Workers who have been laid off and cannot find work	Taxes on employers; states determine benefits
<i>The Means-Tested Programs</i>			
Medicaid	Medical and hospital aid	The very poor	Federal grants to state healthcare programs
Food Stamps	Coupons that can be used to buy food	People whose income falls below a certain level	General federal revenues
Temporary Assistance for Needy Families (TANF)	Payment	Families with children, either one-parent families or, in some states, two-parent families where the breadwinner is unemployed	Paid partly by states and partly by the federal government
Supplementary Security Income (SSI)	Cash payments	Elderly, blind, or disabled people whose income is below a certain amount	General federal revenue
Children’s Health Insurance Program (CHIPs)	Subsidies for insurance	Poor families with children	Federal and state revenues

Helping the Poor - Social Policy and Poverty

- Welfare “as we knew it”
 - Social Security Act of 1935: first major step by the federal government to help protect people against absolute poverty
 - Set up Social Security program and AFDC, a national assistance for poor children
 - President Johnson declared a “war on poverty” and created many new social welfare programs
 - “Great Society”
 - Poverty was not calculated by the government before this program
 - Reagan cut welfare benefits and removed people from benefit rolls
 - Conservatives argued that welfare programs discouraged the poor from solving their problems
 - Attitudes toward welfare became “race coded” the belief that most people on welfare are African Americans

War on Poverty

- Economic Opportunity Act of 1964
 - The Idea “because it is right, because it is wise, and because, for the first time in our history, it is possible to conquer poverty...” (Lyndon B Johnson, March 16, 1964)
 - An “unconditional war on poverty” was declared

Economic Opportunity Act, How will it work – 5 point plan

- ½ million underprivileged young Americans will be given the skills and education to find work
 - Creation of Job Corporation
- Each American community can develop its own plan to fight poverty
 - Community action groups
- You can enlist to help win the war on poverty
- Workers and farmers will be given the opportunity to break out of and escape poverty
 - Loans and job training
- Creation of the Office of Economic Opportunity: national headquarters for the war on poverty
- Cost
 - By 2002, \$7 trillion

Ending “Welfare as we knew it”: the Welfare Reforms of 1996

- Personal Responsibility and Work Opportunity Act
 - Each state to receive a fixed amount of money to run its own welfare programs
 - This is an example of devolution, as the government is giving power back to the states

- People on welfare would have to find work within 2 years
- Lifetime limit of 5 years placed on welfare
- AFDC changed to Temporary Assistance for Needy Families (TANF)
 - Welfare rolls declined, even though income of TANF recipients is still low

Living on Borrowed Time: Social Security

- The New Deal, Elderly, and the Growth of Social Security
 - Social Security has grown rapidly since 1935, adding Medicare in 1965
 - Employers and employees contribute to the Social Security Trust Fund – “the bank account” into which Social Security contributions are “deposited” and used to pay out eligible recipients
 - The trust fund will soon be in the red as the ratio of workers to beneficiaries is narrowing
- *Note* Social Security is a pay-as-you-go system
- The Future of Social Security
 - The problem: workers growing slowly, while the retired population is growing rapidly
 - At some time – currently 2008 – payouts will exceed income
 - Solutions of cutting benefits or raising taxes are hard choices
- How George W. Bush tried and failed to reform Social Security
 - Bush proposed diverting 2% of Social Security contributions to private retirement funds – private savings accounts
 - Problem: Social Security trust fund would run out of money very quickly as people put their money into private savings accounts – or, government would have to borrow trillions of dollars
 - Social Security reform failed
- Social Welfare policy elsewhere
 - Many industrialized nations are more generous than the U.S., but the tax rates are higher in those countries than in the U.S.
 - Other countries (especially Europe) have worked to reform their welfare programs, as their programs are in trouble, too

Understanding Social Welfare Policy

- Social welfare policy and the scope of government
 - The growth of government has been driven by the growth of social welfare policies, which grow generation by generation
- Democracy and Social Welfare
 - The U.S. has the smallest social welfare system
 - Considerable unequal political participation by those that use the programs
 - Elderly are well-organized and influential; poor are not

Immigration and Social Policy

- Myths about immigration
 - Most are (not) illegal immigrants
 - Most are (not) from Mexico
 - Most are (not) consuming federal benefits while (not) avoiding taxes
- Immigration today
 - 13% of Americans are first-generation immigrants
 - Many are admitted because of high skills and education
- Immigration policy and politics
 - Immigration has had little support throughout American history
 - Illegal immigration is a new issue, as the distinction btwn legal and illegal immigration did not exist for the century of American history
 - Up till 1924: you were a citizen the day you entered
 - Illegal immigration has been a major – though difficult – issue in presidential politics
- Washington
 - No general immigration policy until the 20th century
 - Congress banned Chinese immigration in 1882
 - 1924: quota system favors northwestern Europeans and discriminates against others (including Eastern Europeans)
 - Immigration from Latin America climbs after World War II
- Simpson-Mazzoli Act (1986)
 - Path to citizenship (“amnesty”) for existing illegal immigrants
 - 3 million immigrants became citizens
 - Employers forbidden from hiring illegal immigrants but they cannot challenge documentation
 - Despite several proposals, no major policy changes since
- ...and the states
 - States are hardest hit by the costs of illegal immigration
 - Proposition 187 (California) cut off public services to illegal immigrants; found unconstitutional
 - Some states punish employers by taking away business licenses
 - Many battles over college tuition breaks