Summary

11.1 What Is Public Policy?

Public policy is the broad strategy government uses to do its job, the relatively stable set of purposive governmental behaviors that address matters of concern to some part of society. Most policy outcomes are the result of considerable debate, compromise, and refinement that happen over years and are finalized only after input from multiple institutions within government. Health care reform, for instance, was developed after years of analysis, reflection on existing policy, and even trial implementation at the state level.

People evaluate public policies based on their outcomes, that is, who benefits and who loses. Even the best-intended policies can have unintended consequences and may even ultimately harm someone, if only those who must pay for the policy through higher taxes.

11.2 Categorizing Public Policy

Goods are the commodities, services, and systems that satisfy people's wants or needs. Private goods can be owned by a particular person or group, and are excluded from use by others, typically by means of a price. Free-market economists believe that the government has no role in regulating the exchange of private goods because the market will regulate itself. Public goods, on the other hand, are goods like air, water, wildlife, and forests that no one owns, so no one has responsibility for them. Most people agree the government has some role to play in regulating public goods.

We categorize policy based upon the degree to which costs and benefits are concentrated on the few or diffused across the many. Distributive policy collects from the many and benefits the few, whereas regulatory policy focuses costs on one group while benefitting larger society. Redistributive policy shares the wealth and income of some groups with others.

11.3 Policy Arenas

The three major domestic policy areas are social welfare; science, technology, and education; and business stimulus and regulation. Social welfare programs like Social Security, Medicaid, and Medicare form a safety net for vulnerable populations. Science, technology, and education policies have the goal of securing the United States' competitive advantages. Business stimulus and regulation policies have to balance business' needs for an economic edge with consumers' need for protection from unfair or unsafe practices. The United States spends billions of dollars on these programs.

11.4 Policymakers

The two groups most engaged in making policy are policy advocates and policy analysts. Policy advocates are people who feel strongly enough about something to work toward changing public policy to fix it. Policy analysts, on the other hand, aim for impartiality. Their role is to assess potential policies and predict their outcomes. Although they are in theory unbiased, their findings often reflect specific political leanings.

The public policy process has four major phases: identifying the problem, setting the agenda, implementing the policy, and evaluating the results. The process is a cycle, because the evaluation stage should feed back into the earlier stages, informing future decisions about the policy.

11.5 Budgeting and Tax Policy

Until the Great Depression of the 1930s, the U.S. government took a *laissez-faire* or hands-off approach to economic policy, assuming that if left to itself, the economy would go through cycles of boom and bust, but would remain healthy overall. Keynesian economic policies, with their emphasis on government spending to increase consumer consumption, helped raise the country out of the Depression.

The goal of federal fiscal policy is to have a balanced budget, in which expenditures and revenues match up. More frequently, the budget has a deficit, a gap between expenditures and revenues. It is very difficult to reduce the budget, which consists of mandatory and discretionary spending, but no one really wants to raise revenue by raising taxes. One way monetary policies can change the economy is through the level of interest rates. The Federal Reserve Board sets these rates and thus guiding monetary policy in the United States.

Key Terms

bottom-up implementation
a strategy in which the federal government allows local areas some flexibility to meet their specific challenges and needs in implementing policy

Congressional Budget Office
the congressional office that scores the spending or revenue impact of all proposed legislation to assess its net effect on the budget

debt
the total amount the government owes across all years

deficit
the annual amount by which expenditures are greater than revenues

discretionary spending
government spending that Congress must pass legislation to authorize each year

distributive policy
a policy that collect payments or resources broadly but concentrates direct benefits on relatively few

entitlement
a program that guarantees benefits to members of a specific group or segment of the population

excise taxes
taxes applied to specific goods or services as a source of revenue

free-market economics
a school of thought that believes the forces of supply and demand, working without any government intervention, are the most effective way for markets to operate

Keynesian economics
an economic policy based on the idea that economic growth is closely tied to the ability of individuals to consume goods

laissez-faire
an economic policy that assumes the key to economic growth and development is for the government to allow private markets to operate efficiently without interference

libertarians
people who believe that government almost always operates less efficiently than the private sector and that its actions should be kept to a minimum

mandatory spending
government spending earmarked for entitlement programs guaranteeing support to those who meet certain qualifications

Medicaid
a health insurance program for low-income citizens

Medicare
an entitlement health insurance program for older people and retirees who no longer get health insurance through their work

policy advocates
people who actively work to propose or maintain public policy

policy analysts
people who identify all possible choices available to a decision maker and assess the potential impact of each

progressive tax
a tax that tends to increase the effective tax rate as the wealth or income of the tax payer increases

public policy
the broad strategy government uses to do its job; the relatively stable set of purposive governmental behaviors that address matters of concern to some part of society

recession
a temporary contraction of the economy in which there is no economic growth for two consecutive quarters

redistributive policy
a policy in which costs are born by a relatively small number of groups or individuals, but benefits are expected to be enjoyed by a different group in society

regressive tax
a tax applied at a lower overall rate as individuals' income rises

regulatory policy
a policy that regulates companies and organizations in a way that protects the public

safety net
a way to provide for members of society experiencing economic hardship

Social Security
a social welfare policy for people who no longer receive an income from employment

supply-side economics
an economic policy that assumes economic growth is largely a function of a country's productive capacity

top-down implementation
a strategy in which the federal government dictates the specifics of public policy and each state implements it the same exact way