

National Domestic Policy Part I

Nothing is as permanent as a temporary government
program.

Milton Friedman



The Policy-Making Process

- **public policy**: an intentional course of action followed by government in dealing with some problem or matter of concern, a term applied to all government programs and regulations
 - Based on law.
 - authoritative and binding
 - Those who do not comply can be penalized.
 - The impact or meaning of a policy depends on whether it is vigorously enforced, enforced only in some instances or not enforced at all.
- **foreign policy**: involves relations with other nations
- **domestic policy**: consists of all government programs and regulations that directly affect those living within a country, everything from education and health care to transportation and garbage collection (Economic policies are generally the most important and we'll cover those in a separate presentation.)





Theories of Public Policy

- A **theory** is a representation of reality.
- Certain theoretical approaches have been introduced in studying public policy but there are no comprehensive theories on policy-making and analysis.
- There are 4 questions you should be able to answer about any theory of public policy.
 - Who **participates** in policy-making?
 - **How** are policy decisions made?
 - What are the underlying **assumptions** of the theory?
 - What are the **consequences** for the general public of policy decisions made in accordance with the theory?



Theories of Public Policy: Institutionalism

- **Who:** executive, legislative and judicial branches
- **How:** policy is authoritatively determined, implemented and enforced by these institutions (legitimacy, universality and coercion)
- **Implications/assumptions:** individuals have little impact, structure/design affects outcomes

Institutional theory

- Public policy is determined by government institutions, which give policy legitimacy.
- Government universally applies policy to all citizens of society and monopolizes the use of force in applying policy.
- The legislature, executive and judicial branches of government are examples of institutions that give policy legitimacy.



Theories of Public Policy: Process Theory

- **Who:** voters, interest groups, legislators, presidents, bureaucrats, judges
- **How:** identify problem, set agenda, formulate policy proposals, legitimate policies, implement policies, evaluate policies
- **Implications/assumptions:** who participates has a critical or determinant impact on the process
- Process theory is a good model to **describe public policy-making**, but it has little explanatory power. It simply states that a policy first begins on an agenda, then is formulated, adopted, implemented and evaluated. But it has no theoretical framework to allow one to predict how a policy ends up on the agenda, or if a policy will be adopted.

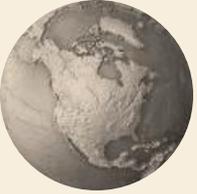


Theories of Public Policy: Group Theory

- **Who:** interest groups, their allies in government
- **How:** struggle among interest groups with legislature/executive as referee to manage group conflict and establish rules of the game
- **Implications/assumptions:** groups will always join to press for particular issues, all interests will have an opportunity for representation
- Group theory (**pluralism**) assumes the following is true: (1) most policy demands and supports are manifest through organized groups, (2) no single group can monopolize power, (3) the most influential group will be decided by the amount of competition and the qualities of the competing groups, (4) policy results from compromise and (5) political actors are objective referees who state which group won.

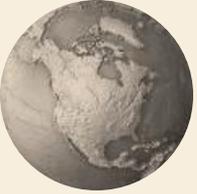
Group model

- One of the main agents for policy change is the initiative by the interest groups.
- They pressure and interact with the policy makers on preferences and self interest
- Thus, the role of the political system is to establish and enforce compromise between various, conflicting interests in society



Theories of Public Policy: Group Theory

- However, group theory overstates the importance of groups and ignores the role that public officials play in policy-making. Some policies are made by judges, and the president has great influence over what policy areas are given attention. Not all interests are represented by groups and a few groups monopolize influence over some policy areas.
- Group theory does focus attention on the **importance of interest groups in the policy process**. It also allows for predicting outcomes by evaluating the groups involved. For example, if a policy on the agenda is supported by a well-organized, well-led interest group with little competition, this theory says the policy has a good chance of being approved.

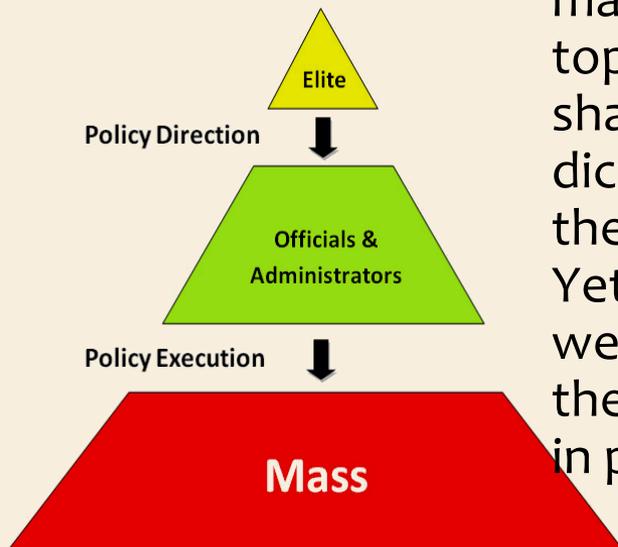


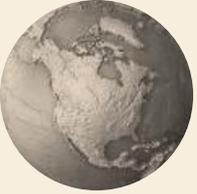
Theories of Public Policy: Elite Theory

- **Who:** elites that have power, ability to allocate value
- **How:** implementation of the preferences and values of the governing elite, public officials merely carry out policies decided on by the elites
- **Implications/assumptions:** public is apathetic, elites agree upon norms, political action is merely symbolic, protects the status quo

- Elite theory says that **society is stratified** with the masses at the bottom and a ruling-class elite at the top. These elites are the rich and well-educated, who share common beliefs and use their influence to dictate public policies. The most serious flaw in this theory is that no such ruling-class can be identified. Yet, if this class could be found, then any policy which went against this class could be predicted to fail. This theory also focuses attention on the role of leadership in policy-making.

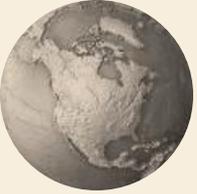
Elite Model of Public Policy





Theories of Public Policy: Rationalism

- **Who:** decision makers (all social, political, economic values sacrificed or achieved by a policy choice) irrespective of dollar amount
- **How:** select policy alternative that allows gains to society to exceed costs by the greatest amount
- **Implications/assumptions:** assumes that the value preferences of the society as a whole can be known and weighted (vis-à-vis other values)
- Rationalism argues that **policy-makers pursue their own self interest** instead of any national interest. They also vote based on their own goals rather than any other reason. This theory alerts us to the importance of self interest in policy-making. If voting for a policy will hurt a politician on election day, then this theory allows us to predict that the politician will not vote for it.

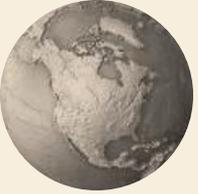


Theories of Public Policy: Game Theory

- **Who:** players/decision makers who have choices to make, the outcome depends on the choice made by each (assumes rationality in making choices)
- **How:** each player has (1) goals and resources, (2) a strategy developed given the possible moves of opponent and (3) payoff values that constitute the outcomes of the game
- **Implications/assumptions:** repeated plays should lead to better policy outcomes

Game theory

- It is a study of rational decisions in situations where two or more participants have choices to make and outcome depends on the choices made by each.
- Game Theory is an abstract and deductive model of policy making.
- It does not describe how people actually make decisions but rather how they should go about making decisions in competitive situations if they are rational.



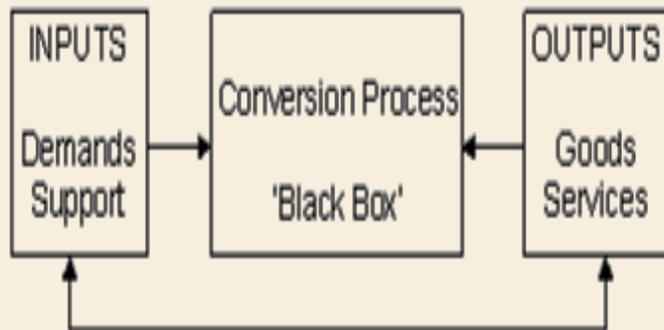
Theories of Public Policy: Public Choice

- **Who:** rational, self-interested individuals will in both politics and economics cooperate to achieve their goals
- **How:** individuals come together in politics for their own mutual benefit, government must respond to market failures
- **Implications/assumptions:** individuals have sufficient information to know what is in their best interest

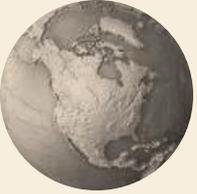


Theories of Public Policy: Systems Theory

- **Who:** individuals, groups or nations depending upon the scope of the problem
- **How:** environment may stimulate inputs into political system, producing outputs and feedback
- **Implications/assumptions:** systems implies an identifiable set of institutions and activities in society that functions to transform demands into authoritative decisions requiring the support of the whole society, implies that elements of the system are interrelated and that the system can respond to forces in its environment and will do so to preserve itself



- Systems theory treats the government like a **box that neutrally processes inputs** (demands and support). Inputs enter the government system and are processed into public policy ... implying that all important decisions and bargaining happen *outside* of government.



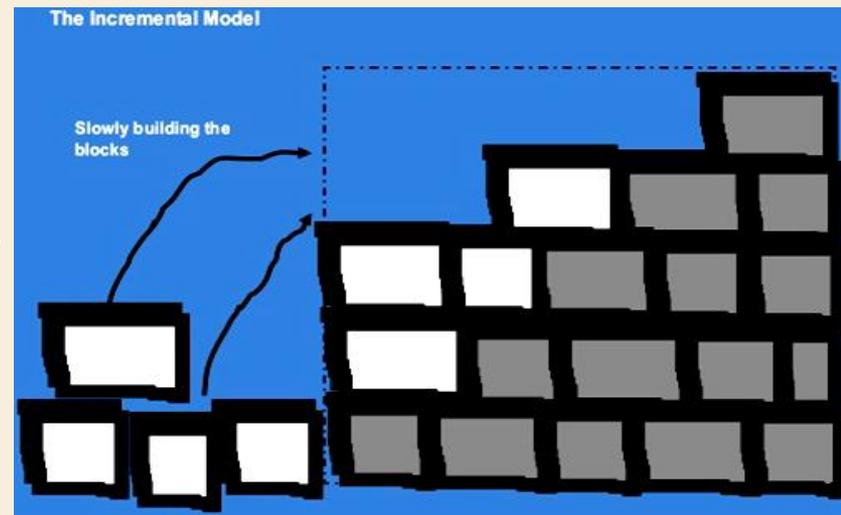
Theories of Public Policy: Kingdon-Garbage Can Theory

- **Who:** participants inside and outside government
- **How:** choice opportunity is a garbage can into which various kinds of problems and solutions are dumped by participants as they are generated, policy outcomes are a function of the mix of the garbage - problems, solutions, participants and participant resources - in the can and how the can is processed
- **Implications/assumptions:** each of the actors and processes can operate either as an impetus or as a constraint, streams operate largely independent of one another



Theories of Public Policy: Incrementalism

- **Who:** policy makers, legislators, others with a stake in ongoing programs or problems
- **How:** continuation of past government activities with only incremental modifications
- **Implications/assumptions:** accepts the legitimacy of established programs, fear of **unintended consequences** (outcomes that are not the ones foreseen and intended), **sunk costs** (costs that have already been incurred and cannot be recovered) in other programs may minimize the opportunities for radical change
- Many political scientists take issue with incrementalism pointing out that it is not the way a government *should* be run. Yet, it is still highly touted as the way officials actually *do* make decisions.





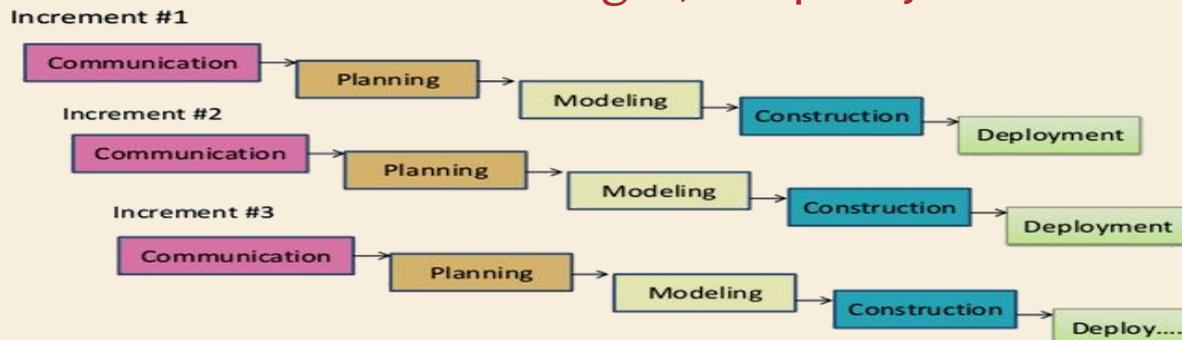
Theories of Public Policy: Incrementalism

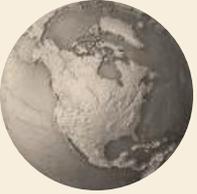
- Incrementalism assumes that **goals are unclear** and that policy-makers are **not free to choose the best alternatives** because they must consider the feasibility and acceptability of possible policies.
- Incrementalism basically means that instead of jumping straight to a goal, that one take tiny steps toward a goal until the goal becomes more clear. But one of the harshest criticisms of this model is that it does not *allow* movement toward a goal. **Goal-setting** is really nowhere to be found, just small changes from year to year.
- Incrementalism is the **most accurate picture of reality**. This is especially evident when we look at the bureaucracy. Giant policy changes are rarely seen in the typical agency but policies often change a little bit at a time.



Theories of Public Policy: Incrementalism

- Implementation of a **controversial policy** is often broken into small steps to "soften the blow" (e.g. the way minimum wage was raised a little each year). Even **legislation of policy** seems to be incremental, with the bill going from one committee to another, taking one more step toward authorization.
- What people need is **flexible stability**. A nation can't be well run by a government that makes huge jumps from point A to point B ... it should only make such jumps in times of crisis. But government can't be so stable that it does not respond to demands for change. Current public policy is static, freezing in time the political culture of the time the policy was made ... But **as the culture changes, the policy should evolve as well**.





Stages of Policy-Making

- Sequence of stages or functional activities.
- Policies do not just happen; rather they are the products of a predictable pattern of events.
 1. **agenda setting**: recognize and define a problem, making an issue so visible that important political leaders take it seriously ... A problem that disturbs or distresses people gives rise to demands for relief, often through governmental action.
 2. **policy formulation**: formulation of alternatives for dealing with the problem, debate and discussion by groups and political leaders about issues placed on the policy agenda

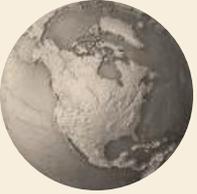


Stages of Policy-Making

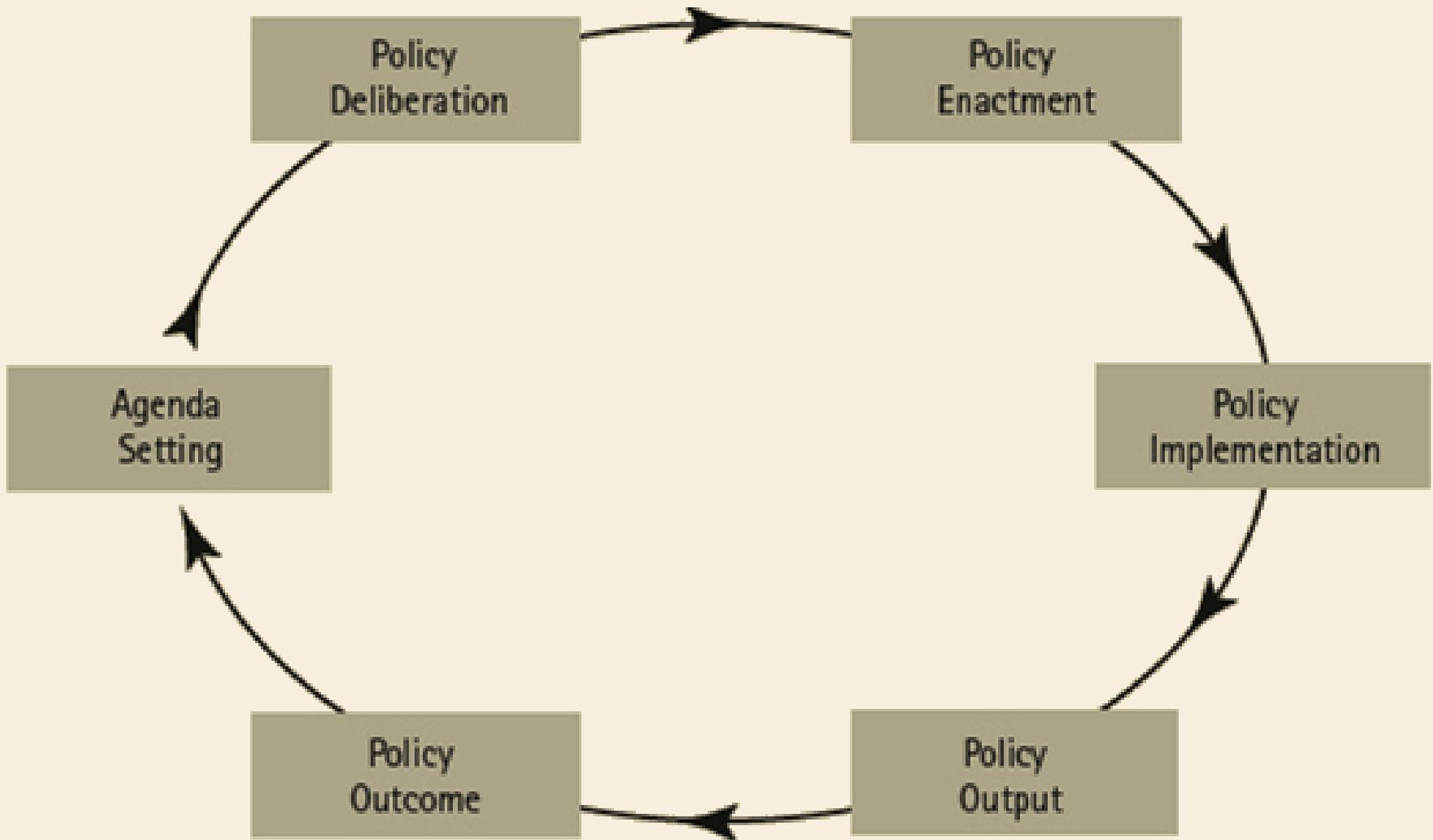
3. **policy enactment/adoption**: passage of law by public officials (policy adoption: formal enactment or approval of an alternative)
4. **policy implementation and budgeting**: appropriation of funds (provide resources to carry out the approved alternative) and translation of legislation into a set of government programs or regulations (implementation: the actual administration or application of the policy)
5. **policy output**: provision of services to citizens or regulation of their conduct (depending on the policy)

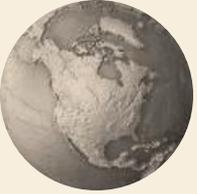


6. **policy outcome and evaluation**: effect of policy output on individuals and society ... evaluation determines policy's actual accomplishments, consequences or shortcomings ... A finding that policy is ineffective usually restarts the process.



Stages of Policy-Making





The Policy-Making Process

Not everything qualifies as a problem deserving of government intervention. **Perceptions of government responsibility** play a role but perceptions have changed over time. Usually there is not a single agreed-on definition of a problem and political struggles may occur.

Even when there is agreement on a problem, that doesn't mean it will be part of the **agenda** (set of issues to be discussed or given attention).

All issues that are commonly perceived to merit public attention and involve matters within the legitimate jurisdiction of governmental authority are part of the **systemic agenda**. But only the issues that those in power are prepared to deal with wind up on the **governmental/institutional agenda**. These are the items specifically, actively and seriously up for consideration by authoritative decision-makers and most conflict occurs over which items belong on this agenda.



The Policy-Making Process

- The **president** is an important agenda-setter for Congress. **Interest groups** are major actors and initiators in the agenda-setting process. Major problems that evolve from **crises or other extraordinary events** may receive automatic agenda status. **Individuals** - private citizens, members of Congress, other officials - may also push issues to the institutional agenda. Agenda-setting is a competitive process.
- **Policy formulation** is the crafting of appropriate and acceptable proposed courses of action to ameliorate or resolve public problems.
- **routine formulation**: a repetitive and essentially changeless process of reformulating similar proposals within an issue area that is well established on the governmental agenda





The Policy-Making Process

- **analogous formulation:** handles new problems by drawing on experience with similar problems of the past
- **creative formulation:** involves attempts to develop new or unprecedented proposals that represent a departure from existing practices
- Major legislation requires much negotiation, bargaining and compromise.
 - Complex legislation takes time to pass.
 - Legislation passed is often incremental.
- Most policies require money in order to be carried out and a policy can be **nullified by a refusal to fund**. Having the potential to curb funding can be a powerful tool for congressional committee chairs.

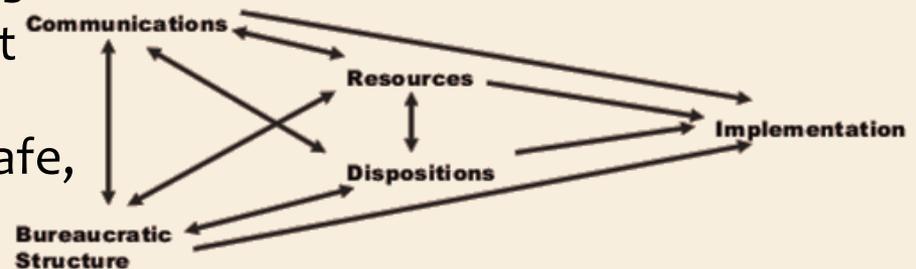


The Policy-Making Process

- Policy **implementation** is government action taken by bureaucracy, courts, police and individuals to put the policy into place. Usually only partly successful. Legislative policy goals are difficult for bureaucracy to carry out.
- Activities include (1) creation of new organizations, departments, agencies, bureaus or the assignments of new responsibilities to existing organizations, (2) establish and staff a new agency or assign authority to an existing agency and personnel, (3) translate legislative intent into operating rules and guidelines and (4) coordinate resources and personnel to achieve intended goals.
- techniques used by governmental agencies

- **authoritative techniques:** Rest on the notion that people's actions must be restrained by government in order to prevent or eliminate activities or products that are unsafe, evil or immoral.

Direct and Indirect Impacts on Implementation





The Policy-Making Process

- techniques used by governmental agencies
 - **incentive techniques**: Encourage people to act in their own best interest by offering payoffs or financial inducements to get them to comply.
 - **capacity techniques**: Provide people with information, education, training or resources that will enable them to participate in desired activities.
 - **hortatory techniques**: Encourage people to comply with policy by appealing to their better instincts (example: Just Say No).
- **Evaluation** is the process of determining whether a course of action is achieving its intended goals. Congressional committees, presidential commissions, private research organizations and the General Accountability Office (GAO) are important players in this process.
- Evaluation research and studies can stimulate attempts to modify or terminate policies and restart the policy process.



Types of Public Domestic Policy

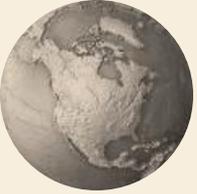
- Why are there so many government domestic programs?
 - constitutional provisions requiring / providing for government involvement
 - public pressure
 - widespread belief that free market economies, left to themselves, are subject to inflation, unemployment and occasional depressions
- types of public domestic policy
 - **redistributive policy**: involves moving tax dollars from one group to another, attempts to eliminate adverse social issues such as poverty
 - **distributive policy**: concerned with providing goods and services paid for by citizens' taxes and administered through public agencies to various groups ... public education, public roadways, public safety, etc





Types of Public Domestic Policy

- types of public domestic policy
 - **regulatory policy**: seeks to maintain order by outlawing behaviors that pose a danger to society ... accomplished through policies and laws that restrict people, groups and companies from doing things that have a detrimental effect on social and political order ... administering voting procedures, enacting traffic ordinances, preventing people from using dangerous drugs, controlling business markets, regulating industry, protecting the environment, setting workplace policy, etc
 - **constituent policy**: creates agencies with executive power to work as an agent of the government ... agencies to deal with taxes, administer Social Security, to distribute funds internally, create rules for public servants, etc
- Let's look more closely at some examples of each of these public domestic policy types, starting with redistributive policy.



Redistributive: Social Welfare Policy

- type of domestic policy that is designed to help those thought to be in need of government assistance
- designed to ensure some level of equity in a democratic political system based on competitive, free-market economics
- creates an automatic stimulus for economy by building a safety net that can catch members of society who are suffering economic hardship
- **entitlement programs:** government programs that guarantee certain benefits to particular segments of the population ... a legal right (enforceable in court, if necessary) whenever eligibility conditions (specified by the standing law that authorizes the program) are met ... examples: Social Security, Medicare, Medicaid, most Veterans' Administration programs, national employee and military retirement plans, unemployment compensation, food stamps, agricultural price supports



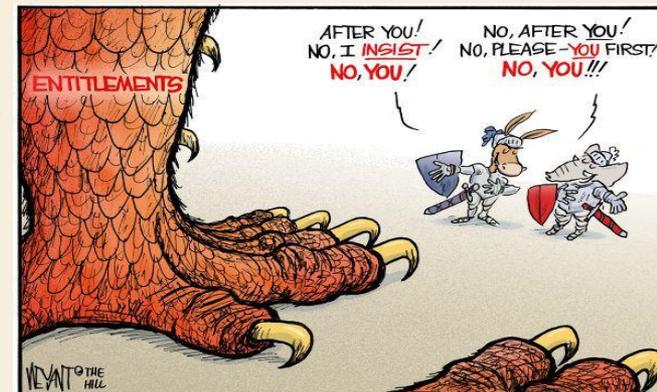
Social Welfare Policy

- policy of central issues: balance of assistance between elderly and young ... Elderly have done well in securing government help ... The US is the healthiest place to grow old but the riskiest place to be born. Why?
- **welfare state**: a set of government programs that protect the minimum standards of living of families and individuals against loss of income
 - Although the term *welfare state* is often used pejoratively in the US, scholars use the term to refer to a range of policies with a broad and diverse set of beneficiaries, not just the poor.
 - **All rich democracies are social welfare states.**
 - In the US, *the elderly and the middle class* receive the most benefits from the government's social policies, while *children and the working poor* receive the fewest benefits.



Social Welfare Policy

- protect people against loss of income due to retirement, disability, unemployment, or death or absence of family breadwinner
 - **non-means-based programs**: not based on whether people possess the means to do without that help
 - social insurance
 - old age, survivors and disability insurance
 - Medicare
 - unemployment insurance
 - **means-tested programs**: require people to have incomes below a specific amount to qualify
 - cash or in-kind benefits, such as food stamps
 - Supplemental Security Income
 - family and child support





Recipients of Social Welfare Programs, 2012

PROGRAM	PERCENT OF AMERICANS
non-means-tested programs	
Social Security (OASDI)	18
Medicare	17
Unemployment compensation	2
means-tested programs	
Supplemental Security Income (SSI)	2.5
Public or subsidized rental housing	12
Supplemental Nutrition Assistance Program (SNAP)	14
Temporary Assistance for Needy Families (TANF)	17
Medicaid	15.3



Social Welfare Policy

- entitlement programs
 - income security programs to which all those meeting eligibility criteria are entitled
 - Spending for such programs is mandatory.
 - Funds must be provided for programs unless the laws creating the programs are changed.
 - one reason it's difficult to control spending
- often a matter of considerable debate
- The range of such programs are characteristic of all democratic industrial societies.

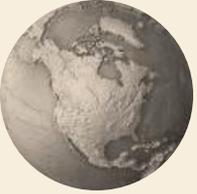


"Will that be cash, credit, or some kind of Government entitlement program?"



Types of Social Welfare Policy

- **contributory** (social insurance)
 - benefits based on **contributions**, financed by taxes or contributions from current or future recipients, not necessarily pure insurance
 - Social Security (old age and survivor benefits), Medicare insurance, unemployment compensation insurance
 - doesn't mean contribution amount and amount received are equal
- **noncontributory** (public assistance)
 - eligibility based on **need** (means tested) rather than contributions, may involve cash payments or in-kind benefits
 - Medicaid, food stamps, Supplemental Security Income, HUD housing, Temporary Assistance to Needy Families, Supplemental Nutrition Assistance Program (SNAP)



Types of Social Welfare Policy

- tax expenditures
 - the **shadow welfare state** (employer-provided benefits like health insurance and pensions), tax breaks to encourage certain behaviors
 - write-offs for employers' contributions to health insurance premiums and pension programs, write-offs for interest paid on mortgages, Earned Income Tax Credits



Per Capita Taxes & Social Contributions		Per Capita Public Transfers Received			
Age	Total taxes & fees	Age	Medicare	Social Security	Medicaid
25	\$8,539.85	25	\$272.02	\$112.06	\$1,189.63
35	\$16,047.90	35	\$328.84	\$280.15	\$991.41
45	\$19,893.43	45	\$467.93	\$502.78	\$1,231.28
55	\$21,285.65	55	\$804.30	\$1,176.26	\$1,284.13
65	\$18,034.29	65	\$3,865.35	\$8,926.21	\$884.58
75	\$12,011.61	75	\$11,059.77	\$14,034.50	\$1,521.79
85+	\$9,318.05	85+	\$17,223.42	\$14,420.24	\$7,115.31



Roots of Social Welfare Policy

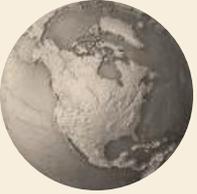
- early 1800s: attitudes toward social welfare were focused on belt-tightening and charity, NO governmental intervention
- late 1800s:
 - Farmers and rural Americans sought help.
 - failing commodity prices
 - exploitation of railroads
 - 1890s severe economic depression
 - acceptance and expectation of government intervention





Roots of Social Welfare Policy

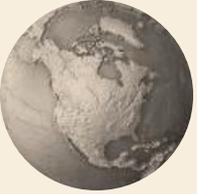
- Great Depression (1929-1939)
 - Social and economic thinking began to change.
 - idea that government could and should be used as a positive influence in society
- FDR elected in 1932.
 - unemployment extremely high, bad for economy
 - Created Civil Works Administration by executive order to put people to work.
 - creation of Social Security law: established old-age insurance (Social Security), assistance for the needy, children and others, and unemployment insurance



Social Welfare Policy: Social Insurance for Seniors

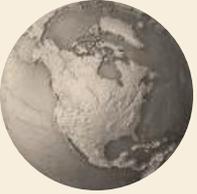


- 1935: Congress enacted the Social Security Act.
 - Created a broad range of social programs, including a social insurance program for seniors generally known as Social Security.
 - Formally known as Old Age, Survivors and Disability Insurance (OASDI).
- Social security originally cost the government little.
 - funded by **payroll tax**
 - Those who first retired under the program received minimal benefits because they had not paid into the program significantly.
 - Moreover, people retiring at age 65 were only expected to live an average of 13 more years.
- As the program expanded, more people paid in, were covered and lived longer.



Social Welfare Policy: Social Insurance for Seniors

- **insurance principle**: the principle that people receive benefits in return for contributions they have made
- Social security differs from an insurance program in that it operates at a loss.
- How did it survive originally when benefits exceeded contributions?
 - Workers grew in greater numbers compared to those in the past.
 - Workers produced and earned more than those in the past.
 - Workers paid a higher percentage of their earnings than in the past.



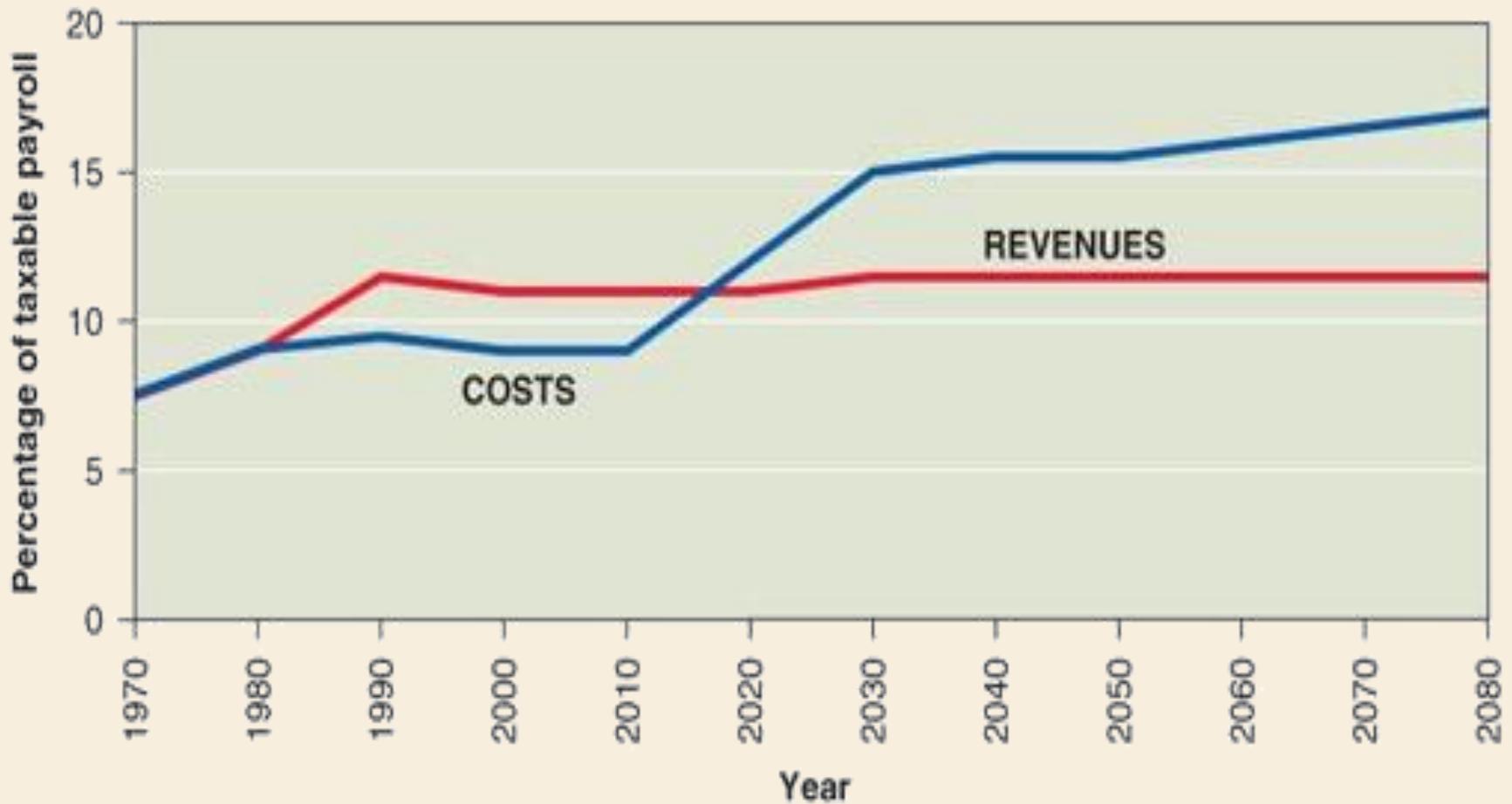
Social Welfare Policy: Social Insurance for Seniors

- What's different now?
 - The rate of worker growth is declining.
 - At the same time, the number of retirees is growing.
 - Rates of economic productivity may not be as high.
 - Workers may be less willing to pay higher taxes.
- Today, a retiring worker is expected to live at least 18 years on average. (That varies by socioeconomic group. Professionals are likely to have closer to 25 more years, for example, with laborers closer to 15.)
- Due to the aging population, Social Security will run a deficit unless reforms are made.





Social Security Costs and Revenues, 1970-2080

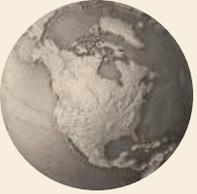




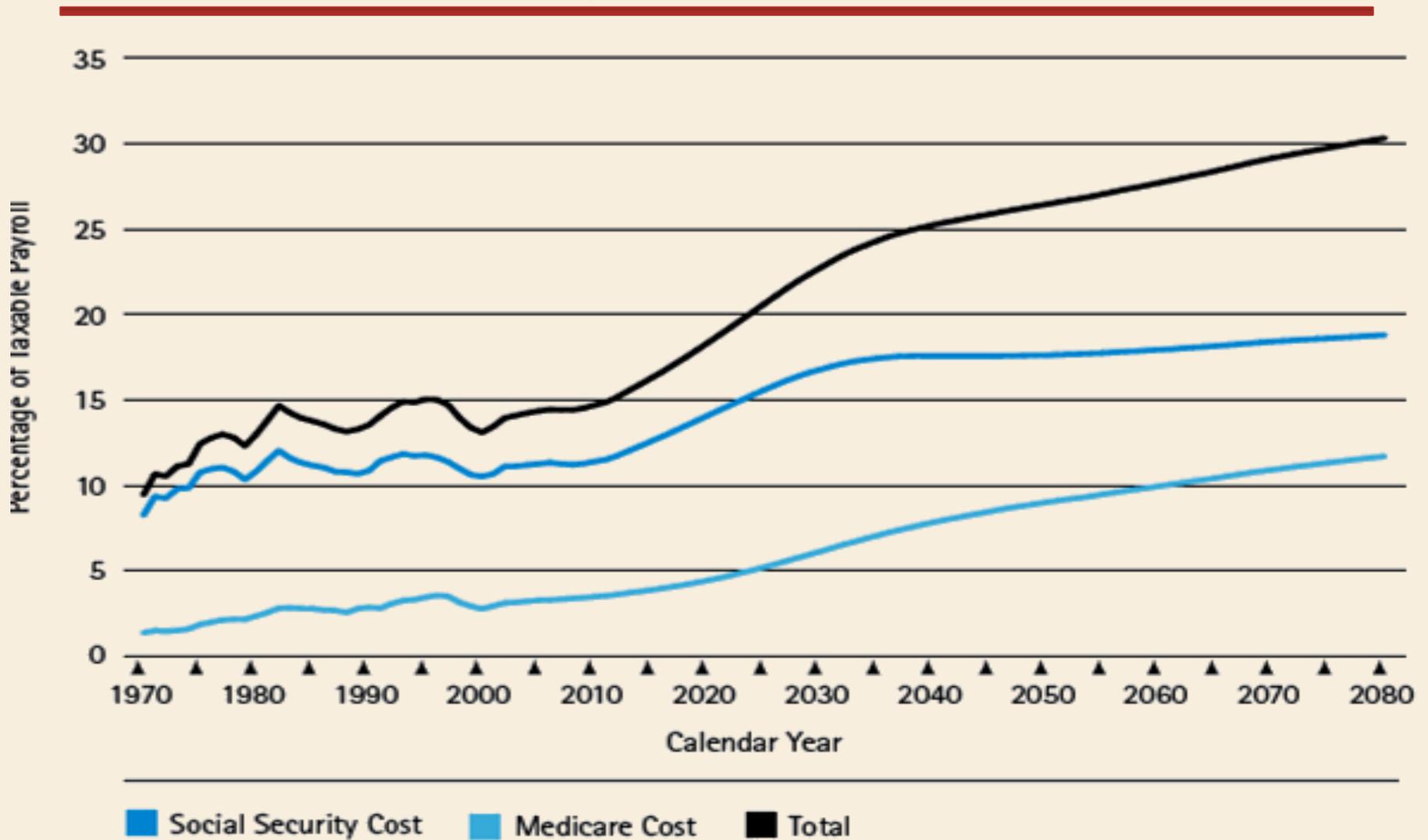
Social Welfare Policy: Politics of Social Insurance for Seniors

- risks of change to social security low
 - punishment by voters
 - “touch it , then you die”
- **influence of senior citizens**
 - Seniors are much more likely than young people to back up their votes with political actions.
 - AARP is a large and influential interest group.
- **broad support**
 - People generally support benefits for senior citizens.
 - hope to benefit themselves one day ... many have parents receiving these benefits ... believe that because seniors contributed to the benefit, they should be guaranteed the benefits promised
- Democrats favor small reforms.
- Republicans favor a major overhaul.



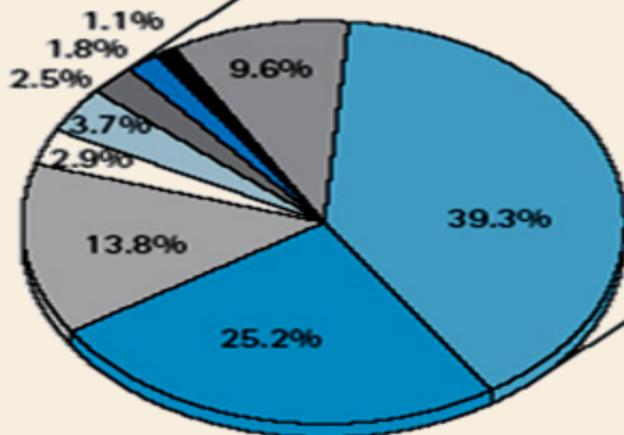
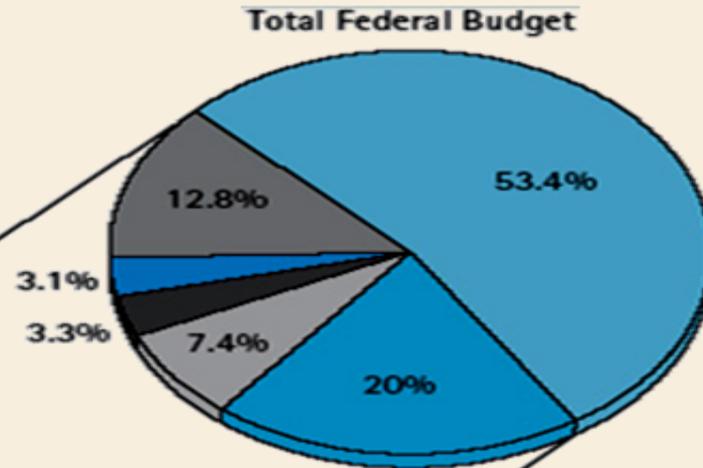
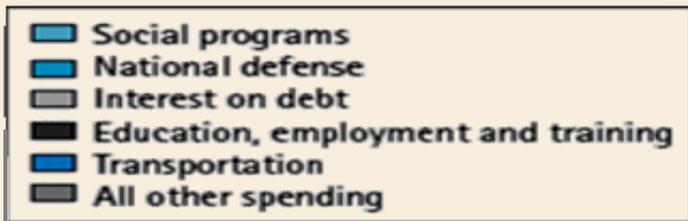


Social Security and Medicare Costs, 1970-2080

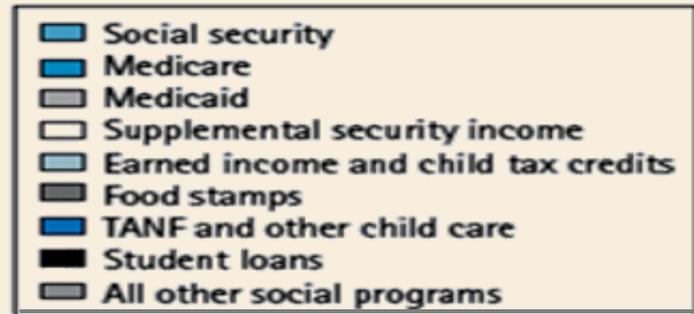


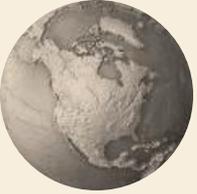


Social Security and Medicare are the most costly US social welfare programs.



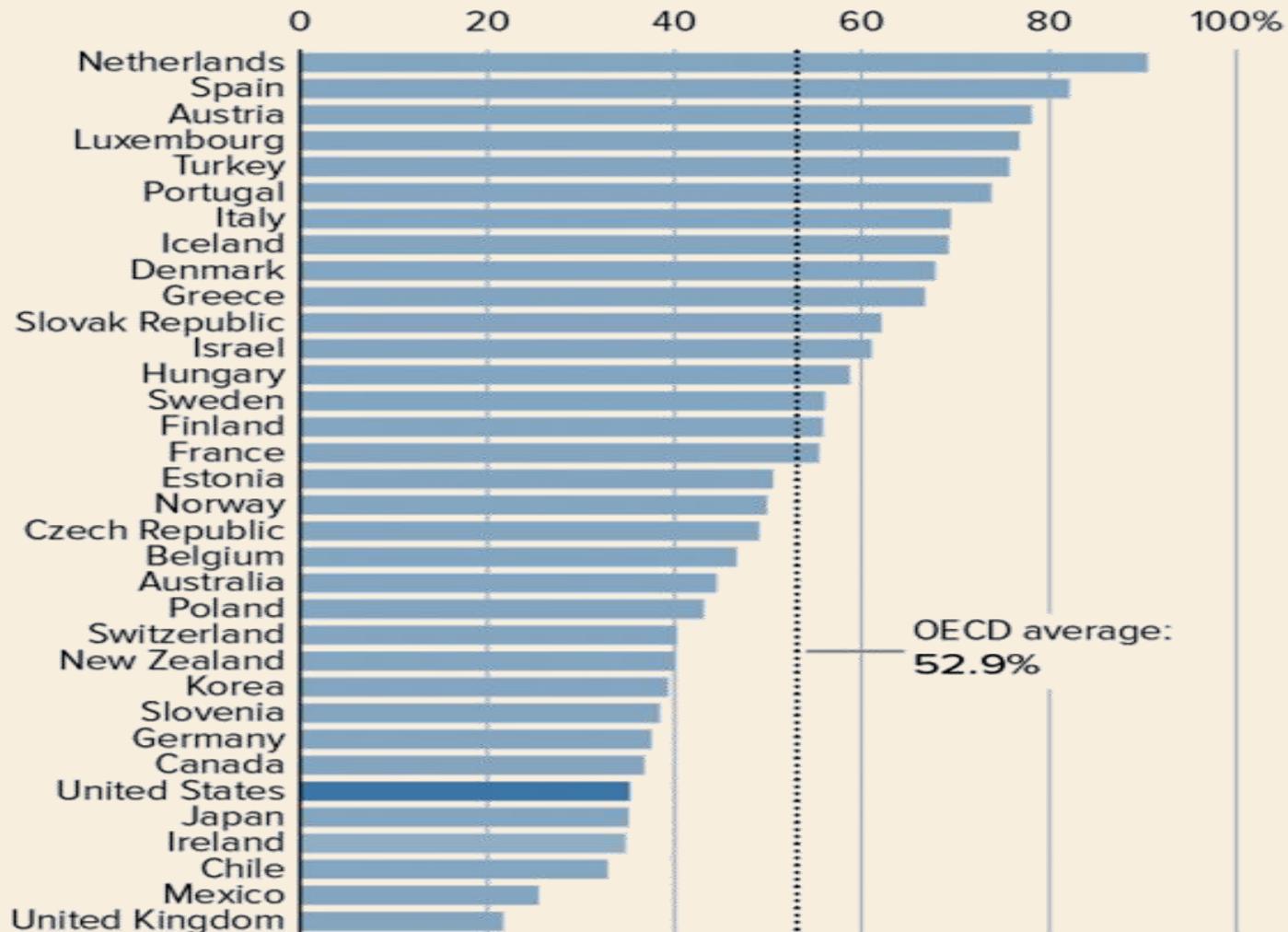
Components of Social Programs





US Social Security benefits are low compared with other advanced countries.

Social Security benefits for average worker as a percentage of earnings





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Continued in National Domestic Policy Part II