CHAPTER 19 Domestic Policy

Learning Objectives

After reading this chapter, you should be able to

* Define the key terms at the end of the chapter.
* Trace the growth of the U.S. welfare state.
* Discuss the debates on Social Security.
* Explain how social welfare policies involve tradeoffs between equality and freedom.
* Discuss the reasons why the United States, unlike other industrialized nations, has not adopted a system of universal health coverage.
* Describe the major federal programs that provide access to health care.
* Distinguish between social insurance programs and public assistance programs.
* Describe changes made in the welfare system by the 1996 welfare reform law.
* Compare the costs and benefits of the American system of social welfare with those of other democratic states’ systems.
* Explain the federal government role in education.

# Domestic Policy and the Challenge of Democracy

This chapter highlights the inevitable difficulty of balancing competing values when the government adopts public policy. Social insurance and welfare policies, for example, raise a conflict between equality and freedom.

Before the Great Depression, most aid for the poor came from private charities rather than the government. Old people got by on their savings or on private pensions rather than government-sponsored Social Security. By 1934, many states provided old-age assistance programs, but the economic hardships of the 1930s far outstripped the ability of such programs and private charities to cope. National relief efforts had to be launched. As a result, people’s attitudes about the role of government started to change. Throughout most of U.S. history, the government had confined its activities to protecting people and property, thereby providing security and order. In the thirties, people began to accept the idea that government should provide a kind of economic floor to protect people from falling into abject poverty.

The New Deal of the 1930s and the Great Society of the 1960s created many programs for aiding the poor. These programs’ costs were shouldered by taxpayers; this set up a conflict between freedom and equality. On the one hand, citizens may accept the notion that the government should help the poor; on the other hand, they may resent the loss of freedom to control the part of their income that goes to pay higher taxes.

Before the Depression, people who relied on others for charity were often seen as moral failures. But the poverty of the Depression was so widespread that it challenged this idea. Eventually, many federal aid programs were viewed as entitlements, and aid recipients worked to protect the programs important to them. The domestic aid programs discussed in this chapter show pluralist politics in action. Older Americans of retirement age exercise enormous political power and are keenly interested in protecting the Social Security and Medicare programs. Under a 1996 welfare reform law, however, those defending the poor have suffered setbacks in preserving welfare as an entitlement, but George W. Bush came to the rescue with his new prescription drug benefit.

In 2003, President Bush pushed through the Medicare Prescription Drug, Improvement, and Modernization Act, and many seniors were thrilled. Their happiness was short lived as many became confused and disenchanted with the overabundant number of choices, plans, and programs. Not only seniors but many pharmacists were confused and upset. In addition to all this, new projections estimated that the program would cost almost double what President Bush said it would cost. Although there were lots of problems at its start, the program has been streamlined and debugged, so that many seniors are using it to good effect. As you find with most social programs, implementation is harder than you think it will be.

Chapter Overview

Recent changes to the Medicare program reveal the extent of conflict over the adequacy, costs, and scope of government efforts to provide access to health care. The chapter illustrates how policies that provide social insurance or public assistance raise conflicts between the values of freedom, order, and equality. These areas of public policy aim at alleviating some of the consequences of economic inequality. Government expenditures in these domestic programs represent more than half the national budget of the United States. These huge expenditures to promote equality also stimulate conflicts of values, since government policies that redistribute resources lessen individual freedom.

## The Development of the American Welfare State

Virtually every modern nation is a welfare state—providing for its citizens through economic and social programs. Although social welfare programs date back to the Industrial Revolution, the modern welfare state received its impetus from the Great Depression and the New Deal. The Roosevelt administration’s attempt to manage the crisis, called the New Deal, had two phases. The first boosted prices and lowered unemployment. The second phase was more concerned with long-term reform and included a program of social insurance to aid the poor and elderly. The New Deal abandoned reliance on laissez-faire capitalism and a decentralized federal structure. Instead it emphasized more central-government control of the economy, and it set in motion long-term government expansion.

In the 1960s, President Lyndon Johnson launched the Great Society to combat political, social, and economic inequality through civil rights legislation, aid to education, and the War on Poverty. Though most of its programs disappeared during the Vietnam War, the War on Poverty did make the poor aware of their political power.

Social welfare is based on the premise that society has an obligation to provide for the basic needs of its members. In the 1980s, President Reagan questioned this assumption and shifted the emphasis from economic equality to economic freedom. This meant a reexamination of many federal social welfare programs. President Clinton charted a middle ground, but tight federal budgets have continued to make funds scarce for initiating or enlarging social welfare programs. This all changed, when George W. Bush’s administration expanded social welfare to include prescription drug medication for seniors.

## Social Security

In the United States, social insurance programs are entitlements—benefits to which every eligible person has a legal right that the government cannot deny. The largest federal entitlement program is Social Security, an insurance program that provides economic assistance to the unemployed, disabled, and aged, without regard to their financial need.

Many European states adopted programs like Social Security after World War I; in the United States, the Social Security Act of 1935 was passed as part of the second phase of the New Deal. Money for the old-age benefits of Social Security is paid into a trust fund. Under a pay-as-you-go tax system, today’s workers support today’s elderly. When the program started, only a few people received benefits while many contributed. Over the years, however, the ratio of workers to benefit recipients has decreased. Meanwhile, Social Security benefits have increased, partly through cost-of-living adjustments (COLAs), enthusiastically supported by both political parties in the 1970s. Government officials expected to be able to finance these increases out of economic growth, but stagflation made that impossible. As a result, it became necessary to increase Social Security taxes and reduce benefits. Although the future effects of economic conditions on the Social Security system are hard to predict, few people argue about the need for the system. After President Bush won reelection in 2004, he proposed major reforms to allow individuals to invest their own payroll taxes in the stock market with the possibility of higher return. Democrats opposed his plan, and the reform bill stalled in Congress. The solvency of the current system will be tested soon as the baby-boomer generation retires.

## Public Assistance

Public assistance, often called welfare, is government aid given to individuals on the basis of their need. In addition to establishing the old-age insurance program described above, the Social Security Act created categorical assistance programs for needy people who are old, blind, or disabled or have dependent children. These entitlement programs are funded jointly by federal and state tax revenues. Although the bulk of the funding comes from the national government, benefits vary from state to state. Until 1996, national standards were imposed on state programs. These standards established the national poverty level, which still helps measure how well public policies manage to achieve the American promise of equality. Today, women and their dependents (children) make up a growing proportion of poor Americans.

Two key programs—food stamps and cash payments—attempt to address the problem of poverty. In 1996, President Clinton and the Republican-led Congress produced compromise legislation that radically changed welfare. The new law ended Aid to Families with Dependent Children (AFDC), and introduced work requirements and limits on the length of time people can receive benefits. Under the new program, Temporary Assistance to Needy Families (TANF), states have greater latitude to shape their own welfare systems with block grants of funds provided by Washington. The changes are controversial, but, aided by a booming economy, they produced a rapid drop in the welfare rolls. The recession of 2001 was a significant test for the new reforms, a period in which an increasing number of female-headed households had no access to jobs or TANF income. However, the new rules seem to be working, since post-TANF welfare numbers are down and many who used to be on welfare are working steady jobs. On the flip side, most of the jobs are service industry jobs paying low wages without health care.

## Health Care

The United States is the only industrialized country without a universal health-care system, and because of this, approximately 16 percent of the American population had no health insurance in 2007. Instead of a universal system, the United States has created a patchwork system designed to cover different segments of the population. Even though Americans have less access to health insurance, we pay more for health care than any other industrialized nation. In the 1960s, as a part of Lyndon Johnson’s Great Society, Congress approved Medicare, a program of medical insurance for the elderly, and Medicaid, a need-based health program for the poor. These programs have faced financial problems, as medical costs have soared. The most recent reforms to Medicare include a prescription drug plan that is estimated to cost over $700 billion over the next ten years. Medicaid has overtaken Medicare as the largest government health-care program, currently covering nearly 20 percent of all children’s health-care costs and 40 percent of all long-term-care costs. A 1997 program, the State Children’s Health Insurance Program (SCHIP), extends government health-care subsidies to children.

Whereas Medicare, Medicaid, and SCHIP provide health care for the aged, children, and the poor, increased health-care costs and the difficulties of obtaining insurance helped put the issue of health care for all on the agenda. Health care raises the modern dilemma of government, which pits equality against freedom.

## Elementary and Secondary Education

The debate on education concerns the dilemma of freedom versus equality. Historically, the federal role in education has been small, and federal funding accounts for a small portion of education financing. Traditional policy on education centered on providing equal access; however, recent reforms have emphasized accountability and freedom of choice for families. The No Child Left Behind Act of 2001 expands the federal role in monitoring student performance, ensuring teacher quality, and expanding choices for parents. The effects of this 2001 reform remained unclear, until recently. Many teachers are now teaching to the test, so much so that non-tested subjects are being ignored. Reauthorization of the act was not accomplished in 2007, so its future is currently in doubt.

## Immigration

Although 72 percent of Americans are dissatisfied with the level of immigration into the United States, they are undecided on what to do about it. With over 12 million illegal immigrants currently in our country, it is uneconomical to capture and deport them all. Over 203,000 were deported in 2004, and over 1 million were allowed to leave voluntarily. President Bush tried to create a temporary worker program in 2007, but it was opposed by major Republican groups and some Democrats who were unhappy with some parts of the bill. With groups and people from both sides against it, the bill failed.

## Benefits and Fairness

The government offers both means-tested and non-means-tested benefits to Americans. Most means-tested benefits require individuals to be under a certain level of income in order to qualify for help. Non-means-tested benefits offer help to all who need it. As program costs increase, many people believe that it might be fairer to apportion benefits according to need.

Key Terms

public policy

welfare state

social welfare programs

Great Depression

New Deal

Great Society

War on Poverty

social insurance

Social Security

Social Security Act

public assistance

entitlements

poverty level

feminization of poverty

Temporary Assistance for Needy Families Act (TANF)

Medicare

Medicaid

Elementary and Secondary Education Act of 1965 (ESEA)

No Child Left Behind Act of 2001 (NCLB)

means-tested benefits

non-means-tested benefits

# Research and Resources

Virtually every American is affected by the public policies described in this chapter. The programs themselves were created by acts of Congress, but as you learned in Chapter 12, Congress does not specify every detail concerning every program. Instead, Congress leaves a considerable amount of discretion to the agencies charged with administering the programs. These agencies make rules and establish procedures. But how can a citizen find out what the rules are? They are published in a government publication called the *Federal Register.* Since 1995, the *Federal Register* has been available online in a searchable form, which overcomes many of the difficulties of the older, printed version. The URL for the homepage of the *Federal Register* is <<http://www.gpoaccess.gov/fr/index.html>>. The printed version of the *Federal Register* can be difficult to use, but the government has issued a user’s guide to it. Instructions may also be found in *Congressional Quarterly’s Federal Regulatory Directory.* The *Federal Register* is published daily. It includes notices of proposed rule making, that is, agency proposals for new rules; these must be publicized before they can be implemented. When a proposed rule is adopted by an agency, it must be published again as a final rule. Federal rules undergo constant revision. Each year, the rules of all the agencies are collected into a set of volumes called the *Code of Federal Regulations* (CFR) that can be found online at <<http://www.gpoaccess.gov/cfr/index.html>>. The CFR assigns title numbers to broad subject areas affected by regulatory action; for example, Title 7 deals with agriculture, and Title 45 deals with public welfare. Each title is broken down into chapters (designated by Roman numerals), and the chapters are further subdivided into numbered parts. For example, the rules and regulations of the Drug Enforcement Administration would be found in Title 21, Chapter XIII, Part 1300 through the end of the title.

One relatively easy way to locate an agency’s regulations is to use the *Federal Regulatory Directory,* which includes as part of its description the CFR titles and parts used by agencies.

The following example should give you an idea of a method for looking up regulations in paper volumes. Work through each step outlined here. Suppose you wanted to find out if full-time college students are eligible to receive food stamps. First, you would need to know what agency administers the food stamp program. If you look under the words *food stamps* in the index of the *Federal Regulatory Directory,* you will learn that the program is administered by an agency called the Food and Nutrition Service, which is part of the Department of Agriculture. If you read through the description of that agency, you will see a section marked “Rules and Regulations.” That section tells you where to look in the *Code of Federal Regulations* to find the rules affecting this agency and its programs. Specifically, it directs you to Title 7, Parts 210–299, of the CFR. If you obtain the volume of the CFR containing Title 7, Parts 210–299, you will find a table of contents directing you to subchapter C, “Food Stamp and Food Distribution Program.” The part most useful to you appears to be Part 273, “Certification of eligible households,” which includes a section (§273.5) labeled “Students” that outlines the eligibility requirements students must satisfy to receive food stamps. With online searching, entering the words *students* and *food stamps* will lead you to the same result and allow you to retrieve the text of the regulation instantly.

# Using Your Knowledge

Use the *Code of Federal Regulations* to find the following:

* Student eligibility requirements for Pell grants
* Parity price of tobacco
* Regulations governing access to the Internet for schools and libraries

# Getting Involved

Founded in 1981, the Center on Budget and Policy Priorities works on public policy issues affecting low-income families and individuals. They have full- and part-time paid internships available for undergraduate and graduate students. Learn more about these opportunities at their website at <<http://www.cbpp.org/internship.html>>. The Children’s Defense Fund offers internships on policy matters dealing with children, such as improving child health, nutrition, and the availability of child care. Find out more at their website at <[http://www.childrensdefense.org/site/PageServer?pagename=Get\_Involved\_Jobs](http://www.childrensdefense.org/internships/default.aspx%20)>.

Sample Exam Questions

Multiple-Choice Questions

1. Which of the following is *not* correct about Social Security, public assistance, health care, education, and immigration?

a. All five are cabinet-level administrations with direct supervision by the president.

b. All five create conflicting views of freedom, order, and equality.

c. Despite terrorism concerns, all five still remain at the top of most Americans’ concerns.

d. Together, these five areas represent more than half the nation’s annual budget.

e. All five have the goal of alleviating some of the consequences of economic inequality.

2. Government programs that provide basic living standards for all its citizens are called

a. social insurance.

b. public policy.

c. social welfare programs.

d. public assistance programs.

e. none of the above.

3. What did we call President Roosevelt’s programs designed to boost prices and lower unemployment through programs like the Civilian Conservation Corps?

a. New Frontiers programs

b. Social Ladder programs

c. Positive Progression programs

d. Economic Empowerment programs

e. New Deal programs

4. Which of the following nations is the only one *not* to have a socialized health-care system?

a. England

b. Norway

c. Denmark

d. Germany

e. none of the above

5. Which of the following is *not*true about the Great Depression?

a. One out of four Americans lost their jobs.

b. Unchecked, unemployment eventually stopped and turned into over employment.

c. No growth occurred in the export markets.

d. Commercial farmers produced more than they could sell profitably.

e. The crisis fueled itself.

6. Approximately what percentage of all long-term-care expenses is covered by the Medicaid program?

a. 25 percent

b. 40 percent

c. 50 percent

d. 65 percent

e. 75 percent

7. What term describes the social insurance program that provides economic assistance to people faced with unemployment, disability, or old age?

a. War on Poverty

b. SCHIP

c. TANF

d. Social Security

e. Medicaid

8. What is a COLA?

a. Cost of Living Adjustment

b. Code of Leveling Amendment

c. Cost of Legitimate Adjustment

d. Cost of Leaving Assessment

e. Crop Owned Leveling Advantage

9. What is the United States’ largest entitlement program?

a. Social Security

b. Medicaid

c. Temporary Assistance to Needy Families

d. Medicare

e. State Children’s Health Insurance Program

10. Between the election of 2000 and the campaign for the White House in 2004, what changes were implemented to reform Social Security?

a. Social Security taxes were increased.

b. Social Security benefits were cut.

c. The retirement age was adjusted upward.

d. Young workers were given the option of creating a private savings account.

e. No reform measures were passed.

11. Which of the following contributed to the feminization of poverty?

a. increased divorce rate

b. lack of affordable child care

c. increases in teenage pregnancy

d. limited employment opportunities for single women with young children

e. all of the above

12. Besides cost, what is the other major issue confronting our health-care system?

a. choice

b. access

c. insurance

d. supervision

e. quality

13. In 2006, approximately what percentage of Americans lived below the poverty line?

a. 12 percent

b. 16 percent

c. 20 percent

d. 22 percent

e. 25 percent

14. In 2007, what percentage of Americans had no health insurance?

a. 12 percent

b. 16 percent

c. 20 percent

d. 22 percent

e. 25 percent

15. Medicare was designed to serve

a. children.

b. the poor.

c. the elderly.

d. veterans.

e. all of the above.

16. What is the likely outcome of the Medicare Prescription Drug and Modernization Act of 2003?

a. It will reduce the number of individuals eligible for Medicare.

b. It will expand the number of individuals eligible for Medicare.

c. It will reduce the cost and scope of the Medicare program.

d. It will expand the cost and scope of the Medicare program.

e. It will have no effect on the cost or size of the Medicare program.

17. Social welfare policy in the United States is based on what premise?

a. Society has an obligation to provide for the minimum welfare of its members.

b. The government should take from each according to his or her ability and give to each according to his or her need.

c. Laissez-faire systems are best.

d. No redistribution of wealth should take place in a just society.

e. No individuals should be compelled to participate in social insurance programs.

18. Which of the following is *not* one of the four groups eligible for Medicaid?

a. children under age twenty-one

b. disabled veterans

c. poor adults

d. adults over sixty-five

e. the blind and disabled

19. What does it mean when we describe Social Security as a pay-as-you-go system?

a. You pay in while you are working, and the money is saved until you retire.

b. Today’s workers support today’s elderly.

c. It is financed out of income taxes.

d. It is a means-tested program.

e. It is a progressive tax.

20. Medicaid insures what proportion of American children?

a. 1/10

b. 1/8

c. 1/6

d. 1/5

e. 1/3

21. What do the data on health expenditures and longevity indicate?

a. The larger a country’s per capita health expenditures, the longer its citizens will live.

b. The larger a country’s total health expenditures, the longer its citizens will live.

c. The smaller a country’s per capita health expenditures, the longer its citizens will live.

d. The smaller a country’s total health expenditures, the longer its citizens will live.

e. Health expenditures do not seem to be closely related to longevity.

22. What is the main purpose of the Elementary and Secondary Education Act of 1965?

a. It established free education for all U.S. children.

b. It tried to improve educational equity in the United States’ schools.

c. It initiated the school free lunch program.

d. It improved standards so more children could go to college.

e. All of the above.

23. What education law did the Russian satellite *Sputnik* help create?

a. National Defense Education Act

b. National College Attainment Act

c. National Education Standards Act

d. No Child Left Behind Act

e. Education Employment Act

24. The federal debate on illegal immigration is mostly about what two issues?

a. border security and a temporary worker program

b. a temporary worker program and effective deportation methods

c. effective deportation methods and preventing human rights abuses

d. preventing human rights abuses and ways to stop employers from hiring illegal immigrants

e. ways to stop employers from hiring illegal immigrants and border security

25. Which of the following would be considered a means-tested benefit?

a. tax cut

b. sales tax

c. Pell Grants

d. Social Security

e. Medicare

Essay Questions

1. Why is the United the States the only industrialized country without universal health care? What are our major concerns about a universal system?

2. What methods did the War on Poverty use in its effort to eradicate poverty?

3. What are the principal components of the No Child Left Behind Act? How is this reform expected to improve access to quality education?

4. What are the main obstacles to reforming our Social Security system, and what is going to happen if we do not reform it? Explain your answers.

5. Illegal immigration is a major concern in the United States today. How bad is it? What are the major issues, and what are we doing to try and solve this problem?

Answers to Multiple-Choice Questions

1. a

2. c

3. e

4. e

5. b

6. c

7. d

8. a

9. a

10. d

11. e

12. b

13. a

14. b

15. c

16. d

17. a

18. a

19. b

20. d

21. e

22. b

23. a

24. e

25. c