

16.7

Learning Objective 16.7: Assess the impact of economic and social welfare policies on democracy and the scope of government in America. (p. 572)

Understanding Economic and Social Welfare Policymaking

- As in most policy arenas, groups with ample political resources tend to get more of what they want in the battle over social welfare policies.
- The elderly have been very successful in preserving their Social Security and Medicare benefits, whereas the poor have faced difficulties in preserving welfare funding.
- The growth in social welfare spending, particularly for Social Security and Medicare, accounts for much of the increase in the scope of government in recent decades.

For Additional Review

Create a list of the main policy tools the government can use to address economic problems in the United States. For each tool, describe HOW and WHEN that tool can be used to address economic problems. Use this list when studying for the unit test and when preparing for the AP Government and Politics exam.

Create a chart demonstrating the economic inequality which exists in the United States, i.e. groups living below the poverty level. List the ways the government attempts to lessen this inequality and identify the program as an entitlement or a means-tested social welfare program. Use this list chart when studying for the unit test and when preparing for the AP Government and Politics exam.

□ Review Questions

Multiple-Choice Questions

1. _____ refer(s) to the “shares” of the national income earned by various groups.
 - a. Entitlements
 - b. Income distribution
 - c. Wealth
 - d. Taxable income
 - e. Profits

2. Which of the following groups has consistently had the highest rates of poverty?
 - a. Asian Americans
 - b. African Americans
 - c. Hispanic Americans
 - d. Southern whites
 - e. Non-Hispanic white Americans

3. The Social Security program is endangered primarily because
 - a. the U.S. birth rate has increased dramatically over the past decade.
 - b. the program has lost public support in recent years.
 - c. the number of contributors to the program is growing at a much slower rate than the number of recipients.
 - d. large federal budget deficits have reduced the amount of tax revenue collected in support of the program.
 - e. the program has become more identified with racial minorities.

4. All of the following are examples of means-tested programs EXCEPT
 - a. Temporary Assistance for Needy Families (TANF).
 - b. Children's Health Insurance Program (CHIP).
 - c. Food Stamp Program.
 - d. Medicaid.
 - e. Social Security.

5. The most expensive social welfare program in the United States is
 - a. Social Security.
 - b. Aid to Families with Dependent Children (AFDC).
 - c. Food Stamps.
 - d. Supplemental Security Income (SSI).
 - e. Children's Health Insurance Program (CHIP).

6. Senior citizens fare better than the poor in social welfare budget battles for which of the following reasons?
 - a. The Constitution requires a certain amount of spending for senior citizens, but not the poor.
 - b. Most social services for senior citizens come from state governments.
 - c. Lobbyists representing the poor are not allowed to make campaign contributions.
 - d. Senior citizens are more organized and better represented politically than the poor.
 - e. There are more senior citizens in the U.S. than there are poor people.

7. The value of all goods and services produced by an economy during a specific period of time, such as a year, is called the
 - a. budget production.
 - b. growth rate.
 - c. economic output.
 - d. gross national product.
 - e. consumer price index.

8. One way the government attempts to overcome inflation is by
- decreasing loan rates to make money more available to the public.
 - increasing the amount of credit available to the public.
 - decreasing the amount of money in banks, which raises loan rates and discourages people from borrowing.
 - limiting the number of bonds sold to the public.
 - increasing the amount of money in banks to help individuals and businesses acquire spending capital.
9. The economic theory that opposes governmental interference in economic affairs beyond what is necessary to protect life and property is known as
- trickle-down theory.
 - protectionism.
 - laissez-faire economics.
 - socialism.
 - Keynesianism.
10. Which of the following statements best describes the significance of the National Labor Relations Act?
- It prohibits labor unions within the federal bureaucracy.
 - It guarantees workers the right to unionize and bargain collectively.
 - It allows mediation to solve conflicts between public and private workers.
 - It allows companies to disband labor unions after giving 30 days advanced notice.
 - It prohibits labor unions from collecting union dues from federal workers.
11. All of the following are affected by actions of the Federal Reserve Board EXCEPT
- the federal budget deficit.
 - the money supply.
 - interest rates.
 - the availability of jobs.
 - inflation.
12. The economic theory holding that the key task for fiscal policy is to stimulate the supply of goods, as by cutting tax rates, is known as
- supply side economics.
 - protectionism.
 - laissez-faire economics.
 - socialism.
 - Keynesianism.
13. Monetary policy refers to government control of
- the banking and computer industries.
 - the money supply and interest rates.
 - taxing and spending policies.
 - equities and securities.
 - bonds and deficits.

14. A recession is
- a short-term decline in the economy that occurs as investment sags, production falls off, and unemployment increases.
 - caused by high levels of government debt.
 - a decrease in the amount of money in banks, which raises loan rates and discourages people from borrowing.
 - a time when monetary policy is used to increase interest rates to keep people from going further into debt.
 - a time of increasing amounts of imports that displace American workers.
15. Which of the following would be an example of fiscal policy?
- intentionally running a budget deficit to spur economic growth
 - cutting the prime interest rate to encourage investment
 - engaging in open market operations
 - inflating the value of government assets to increase real estate prices
 - purchasing consumers' credit card debt to prevent personal bankruptcies
16. Government programs providing benefits to qualified individuals regardless of need are known as
- means tested programs.
 - income distribution.
 - entitlement programs.
 - earned income tax credit.
 - supply side economics.
17. A Federal Reserve open-market operation involves
- protecting people against loss of income because of retirement, disability, unemployment, or death or absence of the family breadwinner.
 - government benefits that all citizens meeting eligibility criteria—such as age, income level, or unemployment—are legally “entitled” to receive.
 - the buying and selling of government securities by the Federal Reserve Bank in the securities market.
 - government requirements that a portion of member banks' deposits must be retained to back loans made.
 - the setting of the rate of interest at which member banks can borrow money from their regional Federal Reserve Bank.
18. Which of the following indicates that the United States has a mixed economy?
- The Supreme Court regulates interstate commerce.
 - The federal government owns the means of production.
 - Congress plays no role in setting tariffs on imported goods.
 - The Justice Department can sue monopolistic companies.
 - Federal workers are not allowed to unionize.

19. Which of the following statements accurately describes traditional Republican Party economic positions?
- I. Republicans place greater emphasis on full employment than Democrats do.
 - II. Republicans tend to worry about inflation more than Democrats do.
 - III. Republican economic positions tend to appeal to the working class and unions.
 - IV. Republicans tend to favor higher income tax rates.
- a. I only
 - b. II only
 - c. II and III only
 - d. I and IV only
 - e. I, II, and III only
20. One way the government attempts to overcome inflation is by
- a. decreasing loan rates to make money more available to the public.
 - b. increasing the amount of credit available to the public.
 - c. decreasing the amount of money in banks, which raises loan rates and discourages people from borrowing.
 - d. limiting the number of bonds sold to the public.
 - e. increasing the amount of money in banks to help individuals and businesses acquire spending capital.

Free-Response Questions

Some AP Free-Response Questions will ask you to address one specific policy area. It is, however, important that you understand the public policymaking process in general and to be able to draw appropriate examples from a variety of policy areas, because some questions will ask you to address several policy areas in one question.

1. The two major tools for macroeconomic policy are monetary and fiscal policies.
 - a. Define monetary policy and fiscal policy.
 - b. Describe how each policy is made at the federal level.
 - c. Describe the major trade-offs in each policy area.
2. Taxation is as much a social policy as it is a fiscal policy.
 - a. Describe the difference between progressive and regressive taxes.
 - b. Identify an example of each.
 - c. Identify one argument for and one against each type of tax policy.