**Unit 4 Topic 4.7-4.10 Political Ideologies and Public Policy Chpt. 14 AMSCO pg. 445-90**

**Explain how ideologies of the two major parties shape Policy.**

The Democratic Party (D or DEM) platforms generally align more closely to liberal ideological positions, and the Republican Party (R or GOP) platforms generally align more closely to conservative ideological positions.

**POLITICAL IDEOLOGY**

A cohesive set of b\_\_\_\_\_\_\_ about p\_\_\_\_\_\_\_\_, public p\_\_\_\_\_\_, and the r\_\_\_\_\_\_ of government that shapes a person’s views

A person who identifies themselves as a conservative or liberal varies according to age, race, gender, and socioeconomic status.

The meanings of l\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and c\_\_\_\_\_\_\_\_\_\_\_\_\_have changed over time. Nineteenth-century liberalism was associated with the principles of laissez faire—government should keep its hands-off business. Conservatives opposed change and put their trust in t\_\_\_\_\_\_\_\_\_\_\_\_\_\_ institutions such as the m\_\_\_\_\_\_\_\_\_\_\_\_ and the c\_\_\_\_\_\_\_\_\_\_\_\_\_\_. In this regard, our founders were very l\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.  
  
In the 21st century in the United States, l\_\_\_\_\_\_\_\_\_\_\_\_\_ have called on the f\_\_\_\_\_\_\_\_\_\_\_ government, in particular, to r\_\_\_\_\_\_\_\_\_\_\_\_ the economy in the public interest and help those who can’t help themselves; they strongly oppose any government attempt to restrict personal freedom.   
  
C\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, on the other hand, favor l\_\_\_\_\_\_\_\_\_\_\_ intrusion from Washington, and want power to flow back to s\_\_\_\_\_\_\_\_\_\_ and l\_\_\_\_\_\_\_\_\_\_\_ governments; they believe that the government does have a role to play, however, in promoting certain types of social behavior (for example, programs that encourage abstinence). Libertarians, usually considered to be on the political right, believe in m\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ individual freedom and severely curtailing the power of the state; they reject both the liberal government as regulator and the conservative government as moral arbiter.

**LIBERAL IDEOLOGY - GENERALLY DEMOCRATS**

**CARDINAL ATTRIBUTES OF LIBERAL IDEOLOGY**

1. P\_\_\_\_\_\_\_\_\_\_\_\_\_ uses of g\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to bring about justice and equality of opportunity (larger government) such as social programs in the past-LBJs Great Society -war on poverty
2. Emphasis on protection of i\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ rights and liberties
3. Emphasis on h\_\_\_\_\_\_\_\_\_\_\_\_\_\_ rights in issues regarding foreign aid
4. Less emphasis on m\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ spending
5. Higher t\_\_\_\_\_\_\_\_\_\_\_\_ for the rich than for the poor
6. Larger government
7. Believe in possibility of progress, better future, equality of opportunity, minimum i\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ level
8. Liberals charge that conservatives act in self-interest, concerned with rich; Liberals concerned government should take care of weak
9. Liberal view holds all people equal; wish to *lessen impact* of great i\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of wealth
10. Corporations seen as chief threat to l\_\_\_\_\_\_\_\_\_\_\_\_\_; Need for a strong central gov’t to “smooth out the rough edges of capitalism”
11. Set up programs to help criminals

**CRITICISMS OF LIBERAL IDEOLOGY**

* Too much r\_\_\_\_\_\_\_\_\_\_\_\_ on g\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ solutions, higher taxes, and bureaucrats
* Forgets that government has to be l\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* When government grows too big, it tends to start d\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ us
* Too m\_\_\_\_\_\_\_\_ governmental c\_\_\_\_\_\_\_\_\_\_\_\_\_ and too much t\_\_\_\_\_\_\_\_\_\_\_\_\_ undermine the s\_\_\_\_\_\_\_\_-help ethic
* Welfare and regulatory state pushed by liberals will d\_\_\_\_\_\_\_\_\_\_\_\_\_ true equality of economic opportunities

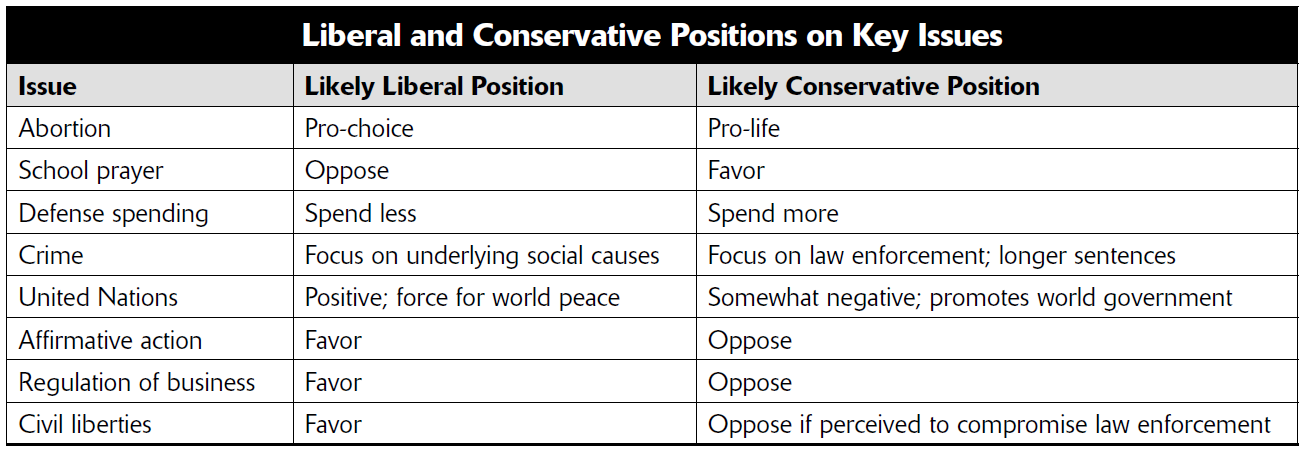
**CONSERVATIVE IDEOLOGY (GENERALLY REPUBLICANS)**

**CARDINAL ATTRIBUTES OF CONSERVATE IDEOLOGY**

1. Private property rights and belief in f\_\_\_\_\_\_\_ enterprise (free market economy), laissez-faire
2. Keep government s\_\_\_\_\_\_\_\_\_\_ except in the area of national d\_\_\_\_\_\_\_\_\_\_\_\_\_\_
3. Government needs to ensure o\_\_\_\_\_\_\_\_\_\_\_\_; more pessimistic about h\_\_\_\_\_\_\_\_\_\_\_\_\_ nature
4. Preference for the status quo and desire ch\_\_\_\_\_\_\_\_\_\_ only in m\_\_\_\_\_\_\_\_\_\_\_\_\_
5. Taxes should be l\_\_\_\_\_\_ for everyone
6. P\_\_\_\_\_\_\_\_\_\_\_ in public schools should n\_\_\_\_\_\_\_ be banned
7. Abortion is the m\_\_\_\_\_\_\_\_\_\_ of a fetus
8. Strong d\_\_\_\_\_\_\_\_\_\_\_\_\_ budget
9. Don’t make America a w\_\_\_\_\_\_\_\_\_\_\_\_ state
10. Lock up criminals for crimes
11. Human needs cared for by f\_\_\_\_\_\_\_\_\_\_\_\_\_\_ /c\_\_\_\_\_\_\_\_\_\_\_\_\_
12. Emphatically pro-business
13. Favor dispersing power b\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to avoid c\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of power at the national level
14. Subordinate economic and social equality to l\_\_\_\_\_\_\_\_\_\_\_\_ and f\_\_\_\_\_\_\_\_\_\_\_ Government social activism has been expensive and counterproductive

**CRITICISMS OF CONSERVATIVE IDEOLOGY**

* Hostility to government as counterproductive and inconsistent
* Conservatives have a s\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ opposition to government
* Government d\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ grew during the 1980s when conservatives were in control
* I\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to the social needs of the homeless and mentally ill
* Too much faith in our market economy
* Failure to acknowledge and e\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ policies that deal with racism and sexism



**LIBERTARIANISM**

* An ideology that cherishes i\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ liberty and insists on a sharply limited government (Federal government should only be used for national defense)
* Preaches o\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to government and just about all its programs
* Opposes all government regulation
* End government subsidies for businesses and farmers
* No gun laws, no drug laws, no gambling laws

Most Americans are *m\_\_\_\_\_\_\_\_\_\_\_\_*, meaning somewhere in b\_\_\_\_\_\_\_\_\_\_\_, and never fall fully into one camp or the other. Many others may think conservatively on some issues and have liberal beliefs on others.

**Off the Line *AMSCO pg. 447-448***

Cleavages, or g\_\_\_\_\_\_ (d\_\_\_\_\_\_\_\_\_\_ in society), in public opinion make understanding where the public stands on issues even more difficult. Few people, even regular party members, agree with every conservative or every liberal idea. Many people simply do not fall on the linear continuum but rather align themselves with one of several other notable political philosophies:

Libertarian- a high regard; s\_\_\_\_\_\_\_\_\_ interpretation of the Bill of R\_\_\_\_\_\_\_\_\_; for civil liberties, conservative on economic issues, liberal on moral or social issues.

Populist- of today favor small gov unlike their populists’ brethren of the past century. Favor g\_\_\_\_\_\_\_\_ regulations for job safety and farm subsidies.

Progressive- Modern progressives are aligned with labor unions. They believe in workers’ rights over corporate rights, and they believe the w\_\_\_\_\_\_\_\_\_\_\_\_ classes should pay a much larger percentage of taxes than they currently do.

**Did you know that you could be a liberal and a conservative at the same time?**

You could be a fiscal conservative and a social liberal? Or vice-versa

Explain how and give examples.

* **List five tenants of a liberal ideology.**
* **List five tenants of a conservative ideology.**

**TOPIC 4.8 Ideology and Policy Making**

Explain how U.S. political culture (e.g., values, attitudes, and beliefs) influences the formation, goals, and implementation of public policy over time

Because the U.S. is a democracy with a diverse society, public policies generated at any given time reflect the attitudes and beliefs of citizens who choose to participate in politics at that time.

The balancing dynamic of individual liberty and government efforts to promote stability and order has been reflected in policy debates and their outcomes over time

Liberal ideologies favor m\_\_\_\_\_ governmental regulation of the marketplace, conservative ideologies favor f\_\_\_\_\_\_\_ regulations, and libertarian ideologies favor l\_\_\_\_\_\_ or n\_\_ regulation of the marketplace beyond the protection of property rights and voluntary trade.

**TOPIC 4.9 Ideology and Economic Policy**

Describe different political ideologies on the role of government in regulating the marketplace.

Ideological differences on marketplace regulation are based on different theoretical support, including K\_\_\_\_\_\_\_\_\_ and s\_\_\_\_\_\_\_\_\_\_\_-side positions on monetary and fiscal policies promoted by the president, Congress, and the Federal Reserve.

Explain how political ideologies vary on the government’s role in regulating the marketplace

**FREE ENTERPRISE: 2016 ELECTION**

|  |  |
| --- | --- |
| **Hillary Clinton:** | **Donald Trump** |
| She argued that employers should be required to pay men and women the same salary for the same job. With that stance, Clinton placed value on equality of opportunity over free enterprise, arguing that giving companies that discretion usually results in unequal pay on the basis of gender. | He argued that employers should not be required to pay men and women the same salary for the same job because there are a number of factors that go into determining salaries, like education level and prior experience. He placed value in free enterprise, giving companies the discretion and power to decide how much they pay their workers. |

**POWER TO MANAGE THE ECONOMY - PRESIDENT**

* No formal powers over t\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and s\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* I\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ over the federal budget has expanded dramatically over time
* Most important role is submission of the b\_\_\_\_\_\_\_\_\_\_\_ >> Outlines the president’s p\_\_\_\_\_\_\_\_\_\_\_ and spending recommendations

**POWER TO MANAGE THE ECONOMY - CONGRESS**

* Power to t\_\_\_\_\_\_\_\_\_\_\_\_\_
* Power to pay the d\_\_\_\_\_\_\_\_\_\_\_\_\_ of America
* Power to “provide for the c\_\_\_\_\_\_\_\_\_\_\_\_ defense and g\_\_\_\_\_\_\_\_\_\_\_\_\_ w\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_”
* Power to borrow m\_\_\_\_\_\_\_\_\_\_\_ and appropriate m\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* Congress is not bound by a balanced-budget requirement >> U.S. government regularly runs large d\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* Congress must a\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of the president’s budget

**TOPIC 4.10 Ideology and Social Policy**

**THE BUDGETARY PROCESS**

***Executive Branch***

* Agencies prepare their estimates of budget needs and present them to the Office of M\_\_\_\_\_\_\_\_\_\_\_\_\_ and B\_\_\_\_\_\_\_\_\_\_ (OMB = charged with overseeing the budget process on behalf of the p\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_).
* Amount requested is typically based upon the amount granted in the p\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ year.
* OMB reviews these requests and makes r\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to the President.
* P\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ reviews OMB recommendations and then submits a b\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to C\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
* ***The president's close control over both the preparation and execution of the budget is a major factor in his ability to c\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ the huge executive branch***
* ***OMB monitors the spending that Congress appropriated.***

***Presidential action***

* President s\_\_\_\_\_\_\_\_ or v\_\_\_\_\_\_\_\_\_ entire taxing and spending bills – no l\_\_\_\_\_\_\_\_\_\_ i\_\_\_\_\_\_\_\_\_\_\_\_veto
* Congress can o\_\_\_\_\_\_\_\_\_\_\_ a veto with \_\_\_ /\_\_\_ vote in both h\_\_\_\_\_\_\_\_\_\_

***Congress (Constitution grants Congress the “power of the purse”)***

* C\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ B\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ O\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (CBO) provides an independent analysis of the President's budget -- a c\_\_\_\_\_\_\_\_\_ on OMB
* Roles of Budget, W\_\_\_\_\_\_\_\_ and Means, Finance, and A\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Committees
* Input and l\_\_\_\_\_\_\_\_\_\_\_\_\_\_ from agencies
* M\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ vote needed in both houses
* G\_\_\_\_\_\_\_\_\_\_\_\_\_\_ A\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Office (GAO) is a congressional watchdog agency that ensures money is spent as prescribed by law

**What is the power of the OMB?**

***Political influences***

* Political party differences
* Interest group/PAC influence
* Iron triangles
* Public opinion

**TWO TYPES OF ECONOMIC POLICIES**

**Fiscal Policy**

Refers to the t\_\_\_\_\_\_\_\_\_\_\_\_, s\_\_\_\_\_\_\_\_\_\_\_\_\_\_, and b\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ activities of the national government

 Conducted by the P\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and C\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

President proposes the budget and Congress passes it

**Monetary Policy**

* Refers to the regulation of the m\_\_\_\_\_\_\_\_\_\_\_\_\_ s\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, controlling i\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, and adjusting i\_\_\_\_\_\_\_\_\_\_\_\_\_ rates
* Controlled by the “Fed” or F\_\_\_\_\_\_\_\_\_\_\_\_\_ Reserve Board/Bank

**FISCAL POLICY**

**FISCAL POLICY – DEFINITION**

* Fiscal policy affects the economy by making changes in government’s methods of raising money and spending it
* Policy that describes the impact of the federal b\_\_\_\_\_\_\_\_\_\_\_\_ (including t\_\_\_\_\_\_\_\_\_\_, s\_\_\_\_\_\_\_\_\_\_\_\_\_, and b\_\_\_\_\_\_\_\_\_\_\_\_\_\_) on the economy

**TOOLS AND IMPACT OF FISCAL POLICY**

**Governments try to stimulate the economy to prevent a recession/depression**

* Governments can lower taxes >> stimulates the economy by encouraging consumer spending or by encouraging investment
* Government can increase its own spending; which offsets declines in consumer demand >> Keynesian economic policy
* Economy is growing too quickly, and economists fear i\_\_\_\_\_\_\_\_\_\_\_\_\_\_ may increase >> government can attempt to cool the economy down by i\_\_\_\_\_\_\_\_\_\_\_\_\_ taxes or by reducing its own s\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Inflation by definition it too much money in the economy and causes prices to increase.**

**WHERE THE MONEY COMES FROM (SOURCES OF FEDERAL REVENUE)**

* **Individual income taxes**
  + The individual income tax is the federal government’s l\_\_\_\_\_\_\_\_\_\_\_ source of r\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* **Payroll taxes**
  + Tax that an employer withholds from an employee's salary and pays on behalf of his employees
  + Pay for social insurance (S\_\_\_\_\_\_\_\_\_\_ S\_\_\_\_\_\_\_\_ and Medicare)
* **Corporate income taxes**
  + Tax on corporate profits
* **Excise taxes**
  + Taxes on the consumption of liquor, tobacco, gasoline, telephones, air travel, and other so-called luxury items
* **Other**
  + Estate and gift taxes
  + Tariffs - taxes on imports
* **Borrowing**

**Federal Reserve Bank**

* + Budget deficit - borrow money
  + Selling Treasury notes and savings bonds
* Adds to national debt

**President and Congress**

**Types of Spending**

**Discretionary spending-**spending for federal programs that m\_\_\_\_\_\_\_\_\_\_ receive annual a\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Mandatory Spending (non-\_\_\_\_\_\_\_\_\_\_\_\_-**federal spending authorized by l\_\_\_\_\_\_\_ that continues w\_\_\_\_\_\_ the need for annual approvals of Congress

**Social Security and Medicare/ Medicaid are 67% of the federal budget.**

**FISCAL POLICY – ENTITLEMENTS**

* **Entitlements**
  + Federal money that is provided to those who meet e\_\_\_\_\_\_\_\_\_\_\_\_\_\_ requirements and is automatically spent each year without congressional review
  + Also known as “u\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_”
  + Some have a built in COLA (c\_\_\_\_\_\_ of l\_\_\_\_\_\_\_\_\_\_\_ a\_\_\_\_\_\_\_\_\_\_\_\_\_\_), also without annual review. This in turn creates additional budget pressures.

**Examples: Social Security, Medicare, federal pensions. Social Security and Medicare/ Medicaid are 67% of the federal budget.**

* These account for about \_\_\_/\_\_\_ of the federal budget, which causes difficulties of b\_\_\_\_\_\_\_\_\_\_\_\_ the budget.
* Attempts to change/reduce/alter extremely difficult >> many v\_\_\_\_\_\_\_\_ s\_\_\_\_\_\_\_\_ these programs (especially old people- they vote the most)

**MONETARY POLICY**

**THE FED (THE FEDERAL RESERVE BANK/ BOARD)**

**MONETARY POLICY – DEFINITION**

* Monetary policy is the government’s control of the money supply. The government can control how much or how little is in circulation.
* The powerful arm of government that controls the money supply is the F\_\_\_\_\_\_\_\_\_\_ R\_\_\_\_\_\_\_\_\_ S\_\_\_\_\_\_\_\_\_, which is headed by the Federal Reserve B\_\_\_\_\_\_\_\_\_. The board is designed to operate with a great deal of i\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ from government control. One important way that the “Fed” controls the money supply is by adjusting i\_\_\_\_\_\_\_\_\_\_ rates – h\_\_\_\_\_\_\_\_\_ rates d\_\_\_\_\_\_\_\_\_\_\_ borrowing money, and l\_\_\_\_\_\_ ones e\_\_\_\_\_\_\_\_\_\_\_\_ it.
* The Federal Reserve Board’s seven members are a\_\_\_\_\_\_\_\_\_\_\_\_\_ by the p\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ are approved by the S\_\_\_\_\_\_\_\_\_\_\_ for \_\_\_\_\_\_-year, nonrenewable terms, and the president may not remove them from office before their terms are up. The chair is elected by the board for four years and may be reelected. The Board heads the Federal Reserve System, which was created by Congress in 1913 to regulate the lending practices of banks. It consists of 12 regional banks, which in turn supervise a total of about 5,000 banks across the United States.
* Established by Congress in 1913 to help govern the nation’s monetary policy through an independent and apolitical process
* Overseen by a seven-member B\_\_\_\_\_\_\_\_\_ of Governors
  + Members of the board are a\_\_\_\_\_\_\_\_\_\_\_\_ by the p\_\_\_\_\_\_\_\_\_\_\_ and confirmed by the S\_\_\_\_\_\_\_\_\_\_ to 14-year terms and cannot be r\_\_\_\_\_\_\_\_\_\_\_\_\_
  + The length of their t\_\_\_\_\_\_\_\_ intended to i\_\_\_\_\_\_\_\_\_ the Fed from p\_\_\_\_\_\_\_\_\_\_\_ pressures from both the president and the Congress
  + The Fed’s primary role is to regulate the nation’s m\_\_\_\_\_\_\_\_\_\_ s\_\_\_\_\_\_\_\_\_\_. Priority is placed on l\_\_\_\_\_\_\_\_\_\_\_\_ the rate of i\_\_\_\_\_\_\_\_\_\_\_\_ and p\_\_\_\_\_\_\_\_\_\_\_\_\_ recessions.

**How does the Fed control monetary policy? MUST KNOW this. It also appears in AP Mcaroeconomics**

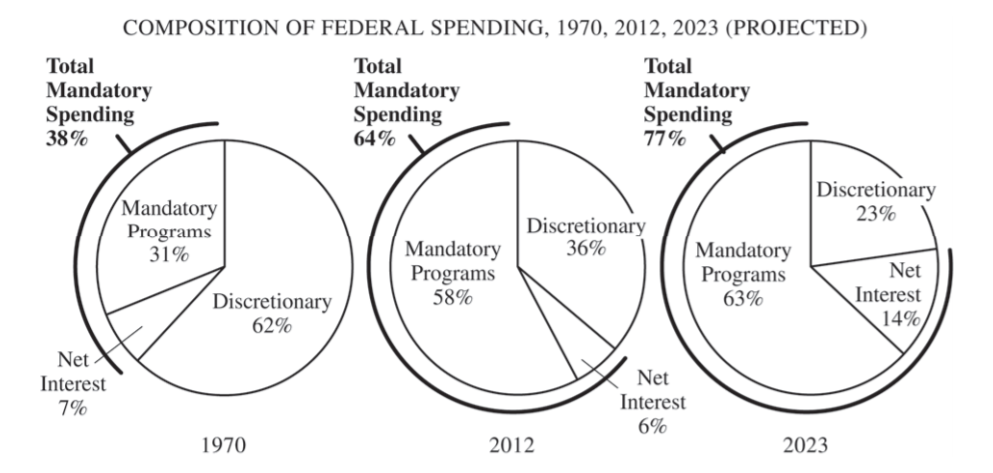
* **Open-market operations**
* Refers to the efforts by the central bank to b\_\_\_\_\_\_ or s\_\_\_\_\_\_ government b\_\_\_\_\_\_\_\_\_
* This is the most c\_\_\_\_\_\_\_\_\_\_\_ form of m\_\_\_\_\_\_\_\_ policy and is generally used to try to control short-term i\_\_\_\_\_\_\_\_\_\_ r\_\_\_\_\_\_\_\_\_\_
* By s\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ bonds, the Fed effectively r\_\_\_\_\_\_\_\_\_\_\_\_\_ money from circulation, slowing the economy
* By p\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ bonds, the Fed effectively e\_\_\_\_\_\_\_\_\_\_\_\_\_ the money supply, encouraging economic activity
* **Reserve ratios**
  + The Federal Reserve establishes the minimum cash r\_\_\_\_\_\_\_\_\_\_\_\_ any bank must hold.
  + By i\_\_\_\_\_\_\_\_\_\_\_\_ the ratio, the Fed can effectively r\_\_\_\_\_\_\_\_\_\_ the amount of money in circulation, s\_\_\_\_\_\_\_\_\_\_\_ the economy down.
  + By contrast, r\_\_\_\_\_\_\_\_\_\_\_\_\_ the requirement i\_\_\_\_\_\_\_\_\_\_\_\_\_ the amount of money in circulation, generally leading to an e\_\_\_\_\_\_\_\_\_\_\_\_ of economic activity.
* **Federal funds rates**
  + I\_\_\_\_\_\_\_\_\_\_\_\_ rate at which banks trade reserve balances held at the Federal Reserve
  + This rate is an important benchmark, as many other interest rates, including credit card rates and home mortgage rates, are often based on the federal funds rate
  + I\_\_\_\_\_\_\_\_\_\_\_\_\_ the federal funds rate thus makes b\_\_\_\_\_\_\_\_\_\_\_\_\_ more e\_\_\_\_\_\_\_\_\_\_\_, slowing economic a\_\_\_\_\_\_\_\_\_\_. This is done to slow down i\_\_\_\_\_\_\_\_\_\_\_\_\_\_
  + L\_\_\_\_\_\_\_\_\_\_\_\_\_\_ the federal funds rate makes borrowing cheaper, i\_\_\_\_\_\_\_\_\_\_\_\_\_\_ economic activity. This is done to prevent a r\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
* **Discount rate**- c\_\_\_\_\_\_\_\_ banks pay to borrow money from the F\_\_\_\_\_\_\_\_\_\_\_ Reserve Bank
* By r\_\_\_\_\_\_\_\_\_\_\_\_ the discount rate, the Fed makes it more attractive for banks to b\_\_\_\_\_\_\_\_\_\_\_\_ money, effectively increasing the amount of money in circulation and encouraging economic activity. By contrast, increasing the discount rate generally s\_\_\_\_\_\_\_\_\_ the economy down

**DEVELOPMENTS IN ECONOMIC POLICY**

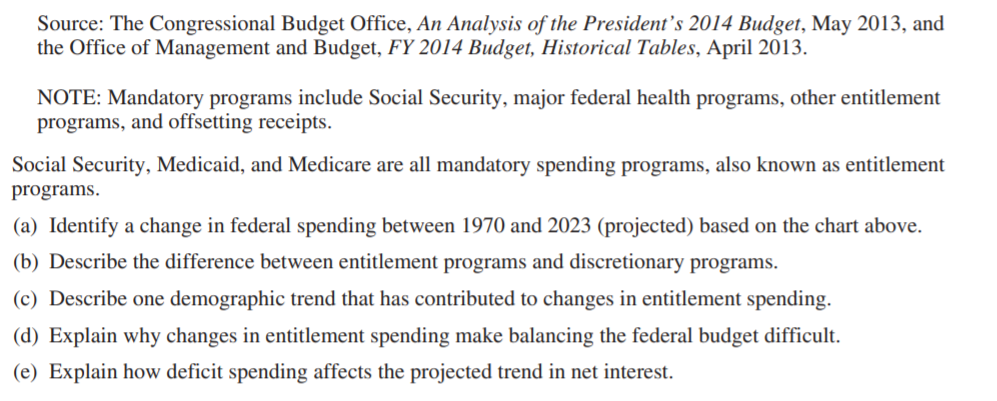
* **Great Depression of 1930's led to even greater regulation of economy by Congress: Unemployment rate of 25%, bank failures, and deflation demanded aggressive actions.**
* **Keynesian Economics**
  + During Depression, New Deal was influenced by of British economist John Maynard K\_\_\_\_\_\_\_\_\_\_\_.
  + Keynes suggested that government could manipulate the economic health of the economy through its level of spending.
    - In h\_\_\_\_\_\_\_ times, govt. should i\_\_\_\_\_\_\_\_\_\_\_ spending (even if it means running large deficits) to stimulate economic health.
    - In inflationary “b\_\_\_\_\_\_\_” times, govt. should d\_\_\_\_\_\_\_\_\_ spending to “cool down” the economy.
  + Difficulty posed by Keynesian Economics: Once govt. spending rises, it is politically difficult to cut it (consider the fights in recent years over entitlement reform). This helps to explain why we have such high budget d\_\_\_\_\_\_\_\_\_\_.
* **Great Depression of 1930's led to even greater regulation of economy by Congress: Unemployment rate of 25%, bank failures, and deflation demanded aggressive actions.**
* **Supply-Side Economics**
  + Definition: Cuts in t\_\_\_\_\_\_\_\_\_\_\_ will produce business investment that will compensate for the loss of money due to the lower tax rates. Tax rates will be l\_\_\_\_\_\_\_\_, but business will boom, unemployment will go d\_\_\_\_\_\_\_, i\_\_\_\_\_\_\_\_\_\_\_\_\_ will go up, and more money will come into the Treasury.
  + Most associated with the Reagan Administration (1981-1989).
  + Unfortunately, the Reagan tax cuts were not accompanied by spending cuts, so the national debt tripled from $1trillion to $3 trillion.

***The push for a Balanced Budget Amendment***

* High deficits have led some to believe that Congress needs to be “tied down” to a constitutional amendment that would require that spending not exceed income.
* Supporters say that this is the only way to end the “spending bias” of Congress, and that it is the only way to overcome the political difficulties of cutting spending.
* Opponents say that such an amendment would be “tinkering” with the Constitution: It would decrease needed flexibility in times of crisis, and Congress would figure out a way of evading the amendment anyway.
* This amendment was proposed in the Senate but was voted down by the House in 1992.
* The line-item veto could have precluded the need for such an amendment. Wasteful spending could be deleted with a “stroke of the pen.” Declared unconstitutional by the Supreme Court.
* **What is the difference between monetary policy and fiscal policy? Who is in charge of controlling monetary policy? Fiscal policy?**
* **What is the difference between Keynesian economics and supply-side economics? Which ideology generally favors each idea?**
* **Explain the cartoon. Which economic theory is portrayed?**

****Answer the FRQ below in the OLD FORMAT AND THE NEW FORMAT

**OLD FORMAT**



**New Format QUANTITATIVE ANALYSIS**

1. Identify the data trend pattern presented in the pie charts above.
2. Explain how the data in the pie chart could influence how a candidate running for Congress would shift his or her campaign positions on entitlements based on voter demographics as illustrated in spending patterns.
3. Explain how the data in the pie chart could affect policy making interactions between the president and Congress.