

CHAPTER SUMMARY * * * * * **CHAPTER 19** * * *

The Media and Politics

★ **DIRECTIONS** In the space provided, write the word or phrase that best completes each sentence.

1. The _____ include all the means for communicating information to the general public.
2. The _____ is a major source of information for individuals with computers.
3. A _____ is a meeting at which journalists come prepared to ask questions.
4. Media _____ are visually interesting appearances designed to reinforce the president's position on an issue.
5. Political _____ who make skillful use of television can quickly become serious candidates for high office.
6. The media stress _____ coverage of presidential primaries, focusing on "winners" and "losers," rather than on issues.
7. The media play a large role in defining the public _____—societal problems that both citizens and government agree need attention.
8. The Federal _____ Commission (FCC) licenses radio and television stations and regulates them in the public interest.
9. The _____ doctrine required television and radio stations to provide reasonable opportunities for expressing opposing points of view.
10. The _____ Act of 1996 relaxed limits on media ownership while trying to combat violent or obscene content in the media.

Organizing Information Imagine you are a television reporter attending a presidential press conference. In the space provided below, list at least three policy areas and formulate questions to ask the president about those areas.

POLICY AREAS	QUESTIONS

Critical Thinking Answer the following question on a separate sheet of paper.

11. Do you think the Internet has had a positive or negative impact on politics and government? Why?

CHAPTER SUMMARY * * * * * **CHAPTER 20** * * *

Taxing and Spending

★ RAISING MONEY *****

Approximately ninety cents of every dollar in government revenue comes from taxes—payments by individuals and businesses to support government activities.

- Individual income tax provides about 45 cents out of every dollar raised. This income tax is a progressive tax—people with higher incomes pay a higher percentage in taxes. The income tax is levied on a person’s taxable income, which is the total income after certain deductions and personal exemptions have been subtracted.
- Corporate income taxes account for about 14 percent of government revenues. Nonprofit organizations, such as churches and colleges, are exempt from these taxes.
- Social insurance taxes pay for programs such as Social Security and Medicare. These taxes contribute about 33 cents of every tax dollar collected.
- Excise taxes are taxes on the manufacture,

transportation, sale, or consumption of goods and services. The government imposes excise taxes on many items such as cigarettes and liquor.

- Customs duties, also known as tariffs, are levied on many goods imported into the United States. Customs duties provide about two cents of every tax dollar.
- The federal government also taxes estates—the assets (property and money) of a person who dies—and gifts of money from a living person if the estate or gift is more than a specified limit.

Groups sometimes persuade Congress to write special exemptions into the tax laws. Critics call these provisions tax loopholes. The Tax Reform Act of 1986 attempted to reduce loopholes by simplifying tax laws.

In addition to collecting taxes, the federal government raises money by borrowing. In 1996 borrowing accounted for about 10 cents of every dollar raised by the government.

★ PREPARING THE FEDERAL BUDGET *****

The Budget and Accounting Act of 1921 gave the president responsibility for overseeing the preparation of the budget. The federal government operates on a fiscal year—a 12-month period that begins on

October 1 of one year and ends on September 30 of the following year. Preparation of the budget for any given fiscal year begins 19 months in advance and follows these steps:

- Each federal agency draws up its spending plans and sends these requests to the Office of Management and Budget (OMB).
- The president reviews these plans and returns them with guidelines for preparing final budgets.
- The agencies modify their original requests to fit the president’s guidelines. The OMB officials and agency heads negotiate funding reductions or increases.
- The OMB submits a complete budget document to the president for final review. The president may make some changes before sending it to Congress.
- The House and Senate Budget Committees review the president’s proposals and prepare a concurrent resolution that sets forth the federal spending and tax plan for the coming fiscal year.
- Various congressional committees reconcile, or fit, the plans in the concurrent resolution to existing programs. Then they draft a reconciliation bill that the House and Senate must approve.
- The House passes an appropriations bill which sets aside money for the expenditures approved.

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Chapter 20 Summarycontinued

PREPARING THE FEDERAL BUDGET (continued)

The Gramm-Rudman-Hollings Act of 1986, or GRH, attempted to reduce the budget deficit. GRH required that each budget item automatically be cut by a certain percentage if the president and Congress could not agree on specific program cuts. GRH failed to achieve its goal because the government kept revising the deficit reduction targets to avoid automatic spending cuts.

Some experts use the term *incrementalism* to describe the budget-making process. Incrementalism means that generally the total budget changes only in small degrees, or increments, each year. Most agencies can assume that they will receive at least the same amount of money that was appropriated the previous year.

★ MANAGING THE ECONOMY *****

Government spending includes: (1) interest on the national debt; (2) direct benefit payments to individuals; (3) national defense; and (4) grants to states and local communities.

- Almost one-half of every dollar spent by the federal government goes to support health care and social programs.
- In the 1990s, the government reduced defense funding, but it has risen again and was 20.5 percent of the budget in 2007.
- Federal grants to state and local governments help fund services ranging from road repair to school lunch programs.

The government uses fiscal policy and monetary policy to manage the economy. Fiscal policy uses taxation and spending to influence the economy. By reducing taxes, the government gives investors and consumers more money to spend. This spending can create jobs.

Monetary policy involves influencing the economy through control of the money supply and credit. The Federal Reserve System, known as the Fed, exercises this control. The Fed, which is divided into 12 districts, is the central banking system of the United States. When people or corporations need money, they borrow from a bank. When banks need money, they go to the Fed.

A seven-member Board of Governors supervises the Fed. The president, with Senate approval, appoints these governors. Once appointed, Federal Reserve governors have extensive freedom to make economic decisions independent of political influence. The Board of Governors uses three tools to control the nation's money and credit policies:

- **The Fed can raise or lower the discount rate.** The discount rate is the interest rate that the Fed charges banks for loans. High discount rates mean banks will borrow less money and have less money to lend consumers.
- **The Fed may raise or lower the reserve requirement.** The reserve requirement is the percentage of its deposits that a member bank must keep in Federal Reserve Banks. The higher the reserve requirement, the less money banks have to lend.
- **The Fed can engage in open-market operations—it can buy or sell government securities.** If the Fed buys government securities, individual investors must turn to private ventures, which puts more money into the economy. If the Fed sells government securities, investors buy them, which takes money out of the economy.

CHAPTER SUMMARY * * * * *

CHAPTER
20

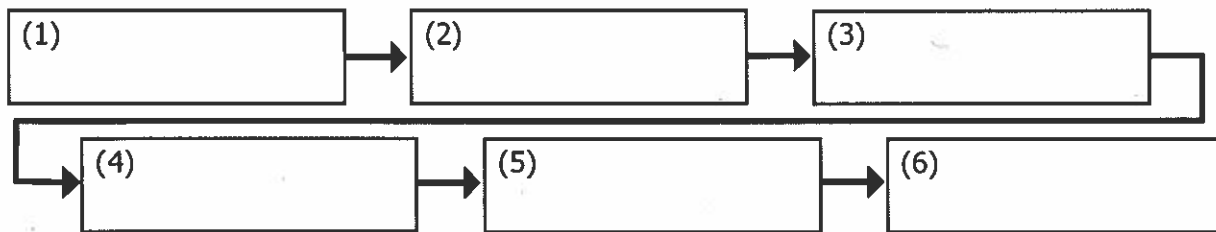
Taxing and Spending

★ **DIRECTIONS** Match each term in Column A with the statement that best applies to it in Column B. Write the correct letters in the spaces provided.

Column A	Column B
____ 1. taxable income	A. Levied on the assets (property and money) of a person who dies
____ 2. social insurance taxes	B. Pay for programs such as Social Security and Medicare
____ 3. excise taxes	C. The government influences the economy through control of the money supply and credit
____ 4. estate taxes	D. Every budget item must automatically be cut if the president and Congress cannot agree on reductions
____ 5. loopholes	E. The interest rate that the Federal Reserve System charges banks for loans
____ 6. Gramm-Rudman-Hollings (GRH)	F. The total income of an individual after certain deductions and personal exemptions are subtracted
____ 7. fiscal policy	G. Special exemptions in tax laws that favor specific groups
____ 8. monetary policy	H. Levied on the manufacture, transportation, sale, or consumption of many goods and services
____ 9. Federal Reserve System	I. The central banking system of the United States
____ 10. discount rate	J. Taxation and spending used to influence the economy

Organizing Information Write each step in the correct order on the flowchart.

FEDERAL BUDGET PROCESS



- concurrent resolution
- OMB/agency negotiations
- reconciliation bill
- appropriations bill
- president's guidelines
- initial agency spending plans

Critical Thinking Answer the following question on a separate sheet of paper.

11. How do you think banks and consumers might react if the Federal Reserve System lowers the prime interest rate?

CHAPTER SUMMARY * * * * * **CHAPTER 21** * * *

Social and Domestic Policy

★ BUSINESS AND LABOR POLICY *****

REGULATORY MEASURES THAT PROTECT CONSUMERS

- **The Pure Food and Drug Act of 1906** regulates processing and labeling of food and drugs.
- **The Consumer Product Safety Commission** guards against injuries caused by hazardous products.
- **The Securities and Exchange Commission** regulates stock and bond trading.

The United States today promotes low tariffs and free trade. The North American Free Trade Agreement (NAFTA), signed by the United States, Canada, and Mexico in 1994, was designed to eliminate trade restrictions among the three nations.

The government protects U.S. business through subsidies:

- Tax incentives allow companies to deduct certain kinds of expenses.
- Government loans at low interest rates provide funds for businesses.
- The government provides cash payments to businesses whose operations are vital to the public.
- Businesses receive free services, such as weather information and census reports.

In the late 1800s several corporations in major industries combined to form one giant enterprise—a trust. A trust could gain a monopoly—complete control of a product, industry, or service. Congress responded by creating the Interstate

Commerce Commission, the first federal regulatory agency. Congress also passed the Sherman Antitrust Act, which banned monopolies, and the Clayton Antitrust Act, which defined unfair business practices. Congress also established the Federal Trade Commission (FTC) to enforce the Clayton Act.

Federal laws established the minimum wage, prohibited child labor, and guaranteed workers' collective bargaining rights. The Wagner Act created the National Labor Relations Board to end unfair labor practices. The Taft-Hartley Act banned the closed shop, in which employers could hire only union members. It permitted union shops, where employees must join a union after being hired, in states that did not have "right to work" laws. Right to work laws require open shops where workers decide whether or not to join a union. The Landrum-Griffin Act of 1959 protects union members from corrupt leadership.

★ AGRICULTURE AND THE ENVIRONMENT *****

How the government has aided agriculture:

- **The Morrill Act** granted federal lands to states that agreed to establish agricultural colleges.
- **The Homestead Act** gave land to any individual willing to farm it.
- **The Agriculture Adjustment Act** provided loans to farmers and encouraged crop rotation.
- **The Rural Electrification Administration** brought electricity and telephones to farms and rural areas.
- **The Department of Agriculture** helps farmers improve agricultural methods. It uses three methods to stabilize farm prices: price supports, acreage allotment, and marketing quotas.

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Chapter 21 Summarycontinued

AGRICULTURE AND ENVIRONMENT *(continued)*

Federal laws created the Environmental Protection Agency (EPA) and other legislation that requires states to set clean air standards:

- automobile manufacturers, chemical industries, and power companies must reduce emissions;
- communities with serious air pollution problems must take corrective measures;

- dangerous materials must not be discharged into navigable waters.

As costs grew, state and local leaders complained about unfunded mandates, or programs ordered but not paid for by federal legislation. In response Congress restricted the ability of the federal government to impose such mandates.

★ HEALTH AND PUBLIC ASSISTANCE *****

Social insurance programs help elderly, ill, and unemployed citizens. The Social Security Act created a system with three components: Social Security; a health-insurance program, called Medicare; and unemployment insurance.

An equal tax on employers and employees finances Social Security and most of Medicare. The basic Medicare plan pays most hospital bills. A supplemental plan, available at extra cost, helps pay related expenses. A 2003 reform added prescription drug coverage to the plan. In 1983 Congress voted to raise the retirement age to 67 by the year 2027, increased payroll taxes, and taxed some retirement benefits.

Public assistance programs distribute public money to low-income people. Supplemental Security Income provides monthly benefits to anyone 65 or

older and to individuals with disabilities who have little or no regular income. The food stamp program increases the food-buying power of low-income people. Medicaid helps pay medical bills for individuals with low incomes.

Congress created the Job Opportunities and Basic Skills program in 1988 to help people move from public assistance to employment through education and job training. A 1996 welfare reform law ended the Aid to Families with Dependent Children, established work requirements for welfare recipients, and placed time limits on eligibility. The new program was called TANF (Temporary Assistance for Needy Families). It gave states more flexibility to operate their own welfare programs.

GOVERNMENT-FUNDED PUBLIC HEALTH AGENCIES

- **The Public Health Service** operates programs that promote good health.
- **The Centers for Disease Control** works to prevent the spread of infectious diseases.
- **The Food and Drug Administration** runs safety tests on samples of food and drug products.

★ EDUCATION, HOUSING, AND TRANSPORTATION *****

Federal aid to local public schools in direct grants totaled \$1.6 billion in a recent year. Another \$17 billion goes to institutions of higher learning. In 2000, George W. Bush supported the NCLB law (No Child Left Behind law), which aimed to improve student performance by rewarding schools and teachers with good test scores. NCLB's success has been difficult to measure.

The Federal Housing Administration helps low and middle income families purchase homes by guaranteeing home mortgage loans.

Urban renewal programs help rebuild deteriorating areas. Federal mortgage insurance is available

to developers who build in an urban renewal area. Public housing programs help local governments provide low-income housing.

The Department of Transportation coordinates transportation policies. Its Federal Aviation Administration ensures the safety of air travel. Other agencies oversee highway maintenance, the railroads, and highway safety.

Mass transit systems include subways, commuter rail lines, and buses. The Urban Mass Transit Administration administers programs aimed at improving these systems in urban areas.

CHAPTER SUMMARY * * * * *

CHAPTER
21

Social and Domestic Policy

★ **DIRECTIONS** In the space provided, write the word or phrase that best completes each sentence.

1. In a _____, several corporations combined to form one giant enterprise.
2. A trust could gain a _____, complete control of a product, industry, or service.
3. In a _____ shop, employers could hire only union members.
4. The Department of Agriculture uses three methods to stabilize farm prices: price _____, acreage allotment, and marketing _____.
5. _____ mandates refers to federal programs ordered, but not paid for, by the government.
6. _____ programs help elderly, ill, and unemployed citizens.
7. _____ programs distribute public money to low-income people.
8. The Job Opportunities and Basic Skills program helps people move from public assistance to _____ through education and training.
9. Urban _____ programs help rebuild deteriorating urban areas.
10. The Federal Aviation Administration ensures the safety of _____.

Organizing Information Complete the chart by matching the issues on the left with the actions below.

GOVERNMENT ACTIONS	
Business	
Labor	
Agriculture	
Environment	
Education	
Housing	
Transportation	

- funds urban renewal programs
- encourages crop rotation
- requires emissions reductions
- prohibits monopolies
- provides grants to colleges
- sets a minimum wage
- promotes highway safety

Critical Thinking Answer the following question on a separate sheet of paper.

11. In what way do you think consumers benefit from low import tariffs and fewer restrictions?

CHAPTER SUMMARY

Foreign Policy and Defense

★ DEVELOPMENT OF FOREIGN POLICY *****

Foreign policy consists of the strategies and goals that guide a nation's relations with other countries. Specific strategies change periodically in response to new developments. The long-term goals, however, remain a constant reflection of a nation's ideals and its self-interests.

Preserving national security is the main goal of foreign policy. National security is the protection of a nation's borders against invasion or control by foreign powers. Maintaining trade and access to resources are other goals. The United States supports free trade as a means to those goals.

World peace helps guarantee national security. The United States tries to achieve this goal by:

- settling disputes through cooperation;
- providing economic and humanitarian aid to keep other countries politically stable;
- supporting the spread of democracy.

At first the United States pursued a policy of isolationism—avoiding involvement in world affairs. As an industrialized nation in the 1890s, the United States shifted toward internationalism— involvement in world affairs. As part of this strategy, the United States acquired overseas territories.

The United States was drawn into World War I in 1917. Disillusioned by the failure to achieve democratic ideals abroad, the U.S. returned to isolationism after the war. The nation avoided international involvement as militaristic aggressors came to power in Germany, Italy, and Japan, but entered World War II in 1941 and returned to internationalism. Afterwards the United States led the world's non-Communist nations against the Soviet Union and its Communist allies. This rivalry led to the Cold War—a war of threats—and mutual distrust.

The containment policy meant sending economic aid to support anti-Communist governments. Cold War tensions also drew the United States and the Soviet Union into an arms race— developing huge destructive weapons arsenals. U.S. troops fought to support non-Communist governments in South Korea and South Vietnam.

When the Soviet Union collapsed in 1989, Communist governments fell throughout Europe, and the Cold War ended. In the 1990s, the United States took action in Iraq, Somalia, Haiti, and the former Yugoslavia to protect American trade interests, encourage democracy, and advance human rights. The 2001 terrorist attacks on America began the War on Terrorism and a preemptive war in Iraq.

★ SHARED FOREIGN POLICY POWERS *****

The Constitution makes the president the commander in chief of the armed forces. The president appoints ambassadors, grants recognition to foreign governments, and makes treaties—formal agreements between governments.

- The secretary of state oversees the nation's diplomatic activities.
- The secretary of defense supervises its military activities.
- The national security adviser directs the National Security Council.

- The Central Intelligence Agency collects and analyzes information about other nations.

Only Congress can declare war; however, presidents have committed U.S. troops to combat without a formal declaration of war. Congressional concern over this presidential authority led to passage of the War Powers Act in 1973, which limits the presidential use of troops without congressional consent. Congress appropriates money and, therefore, can deny or put conditions on presidential requests for aid to foreign nations. The Senate must confirm diplomatic appointments and ratify treaties.

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Chapter 22 Summarycontinued

SHARED FOREIGN POLICY POWERS (continued)

Presidents can sign executive agreements—pacts between the president and a foreign head of state. They have the same legal status as treaties but do not

require Senate ratification. In times of crisis, the president's foreign policies usually enjoy bipartisan, or two-party, congressional support.

★ STATE AND DEFENSE DEPARTMENTS

The Department of State, which is managed by the secretary of state:

- promotes the long-range security of the United States;
- informs the president on international issues;
- maintains diplomatic relations with foreign nations;
- negotiates treaties;
- protects the interests of U.S. citizens abroad.

a government can show short of war. Consulates in foreign cities promote U.S. business interests and safeguard U.S. citizens traveling in the host country. A consul heads each consulate.

The Department of Defense supervises the armed forces and, in times of crisis with foreign governments, advises the president about military options. The secretary of defense and the other top officials in the department are all civilians. Its major divisions include the Departments of the Army, the Navy, and the Air Force. A civilian, assisted by senior military officers, heads each of these branches. The Marine Corps has its own identity under the jurisdiction of the Navy. The Joint Chiefs of Staff provide military advice to the president. This group consists of the top ranking officer from each of the three branches and the Marine Corps, plus a fifth senior officer that the president appoints as chairman.

Six assistant secretaries direct bureaus organized by geographic region. Most department employees are Foreign Service Officers assigned to posts in other countries. An embassy, located in a foreign capital, houses the ambassador and staff. An embassy makes communication between governments easier by sharing information. Closing an embassy represents the strongest sign of displeasure

★ FOREIGN POLICY IN ACTION

Nations sign mutual defense alliances, agreeing to support each other in case of attack. Multilateral treaties—agreements signed by several nations—commit the United States to the defense of three regions.

- **The North Atlantic Treaty Organization (NATO)** allied the United States with western European nations. NATO countered the Communist nations aligned with the Soviet Union. Since the end of the Cold War, NATO has opened membership to several former Soviet satellite nations, formed a partnership with Russia, and expanded its mission to include global crisis intervention and peacekeeping.
- The United States and most Latin American nations are allied in the **Rio Pact**. A related treaty established the Organization of American States

(OAS). OAS members are committed to mutual economic development and the peaceful resolution of disputes.

- **The ANZUS pact**, which once included New Zealand, allies the United States with Australia.

The United States has also signed many bilateral treaties—ones that involve only two nations. The objective of treaties is collective security, in which participating nations agree to take joint action if any one of them is attacked. In the interest of collective security, U.S. leaders offer friendly nations loans to buy U.S. weapons. They also offer economic aid to forge friendly ties with developing nations. Sanctions are another diplomatic strategy. Imposing sanctions means restricting trade or withholding aid to force a foreign government to cooperate.

CHAPTER SUMMARY * * * * * **CHAPTER 22** * * *

Foreign Policy and Defense

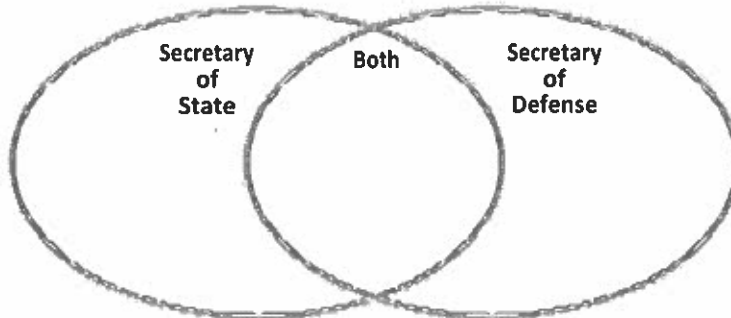
★ **DIRECTIONS** Match each term in Column A with the statement that best applies to it in Column B. Write the correct letters in the spaces provided.

columna	Column B
___ 1. foreign policy	A. United States strategy to strike first against any state or group that might threaten the nation with weapons of mass destruction.
___ 2. national security	B. Under this system, participating nations agree to take joint action against a nation that attacks any one of them.
___ 3. isolationism	C. This type of diplomatic office promotes U.S. business interests and safeguards U.S. citizens traveling in the host country.
___ 4. internationalism	D. These measures restrict trade or withhold aid to force a foreign government to cooperate.
___ 5. preemption	E. This term refers to two-party congressional support.
___ 6. bipartisan	F. This consists of the strategies and goals that guide a nation's relations with other countries and groups.
___ 7. embassy	G. Under this kind of foreign policy, a nation becomes involved in world affairs.
___ 8. consulate	H. The primary function of this kind of office is to make diplomatic relations easier by sharing information.
___ 9. collective security	I. This means protection of a nation's borders against invasion or control by foreign powers.
___ 10. sanctions	J. Under this kind of foreign policy, a nation avoids involvement in world affairs.

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Organizing Information Write the letter of each item associated with the secretaries of state and defense in the appropriate space in the diagram.

- K. oversees diplomatic activities
- L. supervises the Joint Chiefs of Staff
- M. reports to the president
- N. oversees military activities
- O. helps plan foreign policy
- P. supervises Foreign Service Officers



Critical Thinking Answer the following question on a separate sheet of paper.

11. What safeguards in the U.S. system of government insure that the military is subordinate to civilian leadership?