

**DEPARTMENT OF POLITICAL SCIENCE  
AND  
INTERNATIONAL RELATIONS**

**Posc 105**

**INTEREST GROUPS  
DISCUSSION OF FEDERAL BUDGET**

- I. THIS MORNING:
  - A. Interest group politics
  - B. Briefing on *Debt and Deficits*
- II. INTEREST GROUP POLITICS:
  - A. Repeat of Class 17 notes.
  - B. To understand American government, especially the “middle levels” of power one needs to appreciate the central role interest groups play in the political process.
  - C. \*Interest groups compared to political parties:
    - 1. Do not try to run government **as a whole**, only to protect the interests of their members.
    - 2. **Private**, not public, bodies and hence not accountable in the same way parties are.
    - 3. Do not run their own candidates for office.
      - a. They try to influence election outcomes, however.
  - D. Examples:
    - 1. To get some idea of the range and type of interest groups in the U.S. take a look at their PACs.
      - a. A good source is: “Political Advocacy Groups” at:  
<http://www.creighton.edu/~kcfount/advocacy.html>.
  - E. Generalizations:
    - 1. Most visible politics involves interest group conflict
    - 2. Interest group politics involves mostly “branch and twig” decisions and mid-range distributive policies.
  - F. The American way of politics: interest group conflict or **pluralism**
    - 1. The belief in the legitimacy of groups: ours is a nation that places great value on private organizations and groups.
    - 2. Main “actors” or players are organized groups, not individuals or unified, organized political parties.
    - 3. Usually, several sets of groups on each side of an issue.
      - a. Politics involves creating coalitions.
    - 4. Groups struggle in many arenas (institutions) for favorable outcomes.
    - 5. Groups mobilize resources such as money, skills, organization, prestige.
    - 6. Groups **participate** in policy development and especially implementation.

7. Tools: contact and access and favors (lobbying), public relations, “knowledge,” election contributions
8. On paper the “system” remain relatively stable, “balanced,” open, representative
9. On the downside, it encourages “democratic survival of the fittest.”

### III. BACKGROUND:

- A. 1945-1970 era of growth and prosperity
  1. Example: growth in **real** wages.
- B. The budget process is best described by the term **disjointed incrementalism**
- C. Federal programs were “paid” for by tapping into economic growth, not by **redistribution**.
- D. The collapse of the old system
  1. War on Vietnam but “no new taxes”
  2. The “Great Society”: an huge expansion of general welfare policy
  3. Oil and food shocks
  4. Growth of international competition
  5. FED and interest rate rises
    - a. Paul Volcker
    - b. See *Debt and Deficits*, Chapter 2
  6. “The consequences: inflation and high unemployment = “stagflation”
    - a. Soaring budget deficits
- E. Changes in the composition of the budget
  1. The usual way of looking at the budget can be misleading.
  2. Spending by function and agency does not reveal the total picture.
    - a. Look at the images and texts on the class web page.
      - (1) Read “Political Economy”
  3. Growth in **entitlements** and **mandatory** spending:
    - a. Transfer programs such as Social Security, federal retirements, veterans benefits
      - (1) Before 1996, Aid to Families With Dependent Children (AFDC).
      - (2) Recipients or beneficiaries are **entitled** to benefits if they meet eligibility requirements.
    - b. Interest on the debt.
    - c. Congress does not annually appropriate money for them in the usual fashion.
    - d. Costs go up with inflation, changes in demographics, state of the economy, etc.
    - e. Means-tested and non-means tested entitlements
    - f. Hence, spending on entitlements is called relatively **mandatory** or **uncontrollable**.
      - (1) See figures “Outlays by Super Function,” “Outlays by

Agency,” “Entitlements,” and “Discretionary”

- F. Major point: since the early 1970s spending on entitlements has increased by leaps and bounds.
  - 1. Contrary to popular belief, spending on **discretionary** programs has remained more or less steady; in fact, for many categories it has decreased.
  - 2. Greatest growth has been in entitlement spending
- G. The first major roll back: the welfare-reform act of 1996

#### IV. DIFFERENCES BETWEEN FEDERAL AND HOUSEHOLD OR BUSINESS BUDGETS:

- A. Politicians, editors--nearly everyone in fact--insists on comparing the federal budget with business or household budgets.
- B. How the budget differs from “ordinary” budgets
  - 1. What is recorded in federal budget documents are expenditures
    - a. Expenditures are not broken down into funds for **consumption** and for **assets**.
  - 2. Spending versus investment
    - a. Should investment be thought of the same way as spending for consumption?
    - b. Human capital
    - c. Education, training, health, psychological and social well-being sufficient to make the labor productive.
    - d. Infrastructure
- C. Both kinds of capital increase productivity.

#### V. COMPARING THE FEDERAL WITH FAMILY, BUSINESS DEBTS:

- A. The debt in perspective:
  - 1. One person's debt is another's assets
  - 2. Net debt = gross debt minus government assets
  - 3. Who owns the nation's debt?
    - a. Look at the table in Bernstein and Heilbroner, *The Debt and Deficits*.
- B. The case for deficit spending:
  - 1. "Pump priming" to combat recessions
    - a. See Bernstein and Heilbroner for an explanation of the benefits of “deficit” spending in a recession.

#### VI. NEXT TIME:

- A. Interest groups
- B. Congress
- C. Reading:
  - 1. Read the essays in “Political Economy” on the web site
- D. Note again: “Do Something!” has a place to go if you want to do the assignment on campaign finance.