

Chapter 5. Bureaucracy: The Dual Demands for Equal and Unequal Treatment, for Political Responsiveness and Political Neutrality

Last Updated: 1-20-2010

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TEXT

I. Introduction: the Conflicting Demands We Make on Bureaucracy

A. The Paradox of Equality and Individual Treatment

As is the case with so many other parts of American government, we want paradoxical things from bureaucracy. On the one hand, we want and demand equal treatment. We do not want others to get favored treatment. We want the same rules to apply to everyone. And we scream when we see someone getting better treatment than we think we would receive.

On the other hand, we get really angry when some bureaucrat applies a set of rules to us that do not take into account our own unique individual circumstances. When your college professor applies the rule on the maximum numbers of absences so that you automatically fail the course, you object on the grounds that your absences were unavoidable. You argue that the rules should allow for an exception and permit you to make up the work. When you have to pay a late fee for your water bill because you were out of town when it arrived and the post office misplaced it, you feel that the bureaucrat in the water department should waive the late fee. In other words, you want highly individual treatment that accounts for your unique particular circumstances. Of course, if you hear about someone else getting a break like that, you might get angry that she is benefitting from some kind of favoritism.

Ironically, the more power we give to bureaucrats to “cut us some slack,” the more that they can do personal favors for friends or those who have political clout. To put it another way, granting bureaucracy **discretionary power** so that bureaucrats can have more control over how to apply rules undermines equal treatment under the law. And if we tried to write the law to take into account all possible reasons for treating someone differently, we would be lost in a hopeless maze of rules and regulations and reporting requirements to make sure rules were being followed, which we already hate—“**red tape.**”

We can't have it both ways. We are caught in trying to somehow find an acceptable balance in the paradox of the dual demands on bureaucracy. How much discretion should we give to those who deliver the services and enforce the regulations to allow for some individual treatment while at the same time making sure that people get treated equally? We will never fully settle this question, but you should recognize it when you see it.

B. The Paradox of Political Responsiveness and Political Neutrality

To the extent that a president can order the bureaucracy to carry out policies that she or he promised in running for the office, the national government is responsive to popular control (assuming Congressional cooperation—no small assumption). Coupled with that attractive idea is another thing most of us want from government, accountability. If the bureaucracy must follow presidential commands, then we can hold the president accountable for the performance of bureaucracy. That is, we can blame the president when policies are not applied as we want.

However, in the chapter on the executive branch we observed that the president has problems in controlling the bureaucracy, even though the president is supposed to head the executive branch. One of the major obstacles to presidential control is the desire to have bureaucracy operate in a politically

neutral fashion, to insulate the bureaucracy from political pressure from the White House.

Again, we want contradictory things. We want a responsive bureaucracy that is also politically neutral. One gets in the way of the other. This creates another paradox, another one that is not easily resolved.

II. Constitutional Basis for Bureaucracy and Conflicts Over Control of Bureaucracy

The Constitution has very little to say about bureaucracy. The long list of congressional powers in Article I, Section 8, makes no explicit mention of any bureaucracy to actually do the things that Congress has the power to make laws about. Arguably, the creation of a bureaucracy could fall under the “necessary and proper” clause in the last paragraph of Section 8, giving Congress the power “to make all Laws which shall be necessary and proper for carrying into Execution the foregoing powers....” However, Section 9 mentions a “Treasury,” and requires that “a regular Statement and Account of the Receipts and Expenditures of all public Money shall be published from time to time.” Article II, discussed in the next paragraph, also refers to additional “executive Departments.” So a national bureaucracy exists by implication, and it must include at least a Treasury.

Who controls the bureaucracy is another matter. While you may have learned in high school civics that the president is in charge, you should already have figured out that it is not quite that simple because of checks and balances.

Article II gives the president authority to “require the Opinion, in writing, of the principal Officer in each of the executive Departments, upon any subject relating to the Duties of their respective Offices....” This has the effect of making the president the nominal head of the national bureaucracy. However, in an important check on presidential power, the next paragraph limits the president’s authority to appoint these officers by requiring the consent of “two-thirds of the Senators....” Congress is also allowed to make laws that give the president or any of the “Heads of Departments” sole authority to appoint “inferior Officers.” Congress may also pass laws that create ways to appoint bureaucrats without presidential involvement. This is in the rather difficult to understand phrase, “all other Officers of the United States whose Appointments are herein otherwise provided for, and which shall be established by Law....” Together, all this means that the method of selection of members of the national bureaucracy varies widely according to laws passed by Congress.

The last paragraph in Article II, Section 2 allows the president to “fill up all Vacancies that may happen during the Recess of the Senate, by granting Commissions which shall expire at the End of their next Session.” These are

called **recess appointments**, which we discussed in the chapter on the executive branch. To briefly review, Presidents have used—some would say abused—this power to get around the Senate when it refuses to confirm an appointment. The president waits until the Senate recesses at the end of the year. Then the president makes a temporary appointment that lasts till the end of the next session at the end of the following year. Then when the Senate recesses again, the president can make the appointment all over again.

If we consider Congress's authority to collect taxes and make appropriations, the matter of who is in charge becomes less clear. While national bureaucrats must answer to the president, Congress passes their budgets. And Congress can pass laws requiring them to do or not do things. Add to this the power of the courts to interpret laws that Congress passes as to exactly what they mean, and we see that the third branch also plays a role in what the bureaucracy can do.

For example, does the president have to actually spend the money that Congress appropriates? Refusing to spend appropriated money is called **impoundment**. For a long time presidents have claimed that power as part of general "executive power" when spending the money did not make sense. President Thomas Jefferson was the first to impound money. He didn't spend money for gunboats on the Mississippi because the need for the boats no longer existed after the Louisiana Purchase—the Mississippi was no longer on our border. But almost 200 years later when President Nixon just flat refused to spend money because he disagreed with the purpose, the Supreme Court eventually ruled his action unconstitutional and said that the money had to be spent, though it sidestepped whether the president had the power of impoundment (*Train v. City of New York*, 1975). As this case was working its way through the courts, Congress passed a law that recognized a limited power of impoundment in the **Budget and Impoundment Control Act of 1974**. The president can refuse to spend the money for 45 days, but unless Congress approves that action, it must then be spent.

In short, the Constitution designed a structure that created conflict over who is in charge of the machinery that carries out government policy. And conflict is what we have had ever since.

III. Defining Characteristics of Bureaucracy

As with so many other things in American government, most Americans do not like bureaucracy. However, bureaucracy is like what Winston Churchill said about democracy: it is a terrible way to do things, but it happens to be better than all the rest. Other ways to arrange government structure to carry policy would be far worse than bureaucracy.

Let us begin with understanding exactly what we mean by **bureaucracy**. Perhaps the first thing you need to understand is that bureaucracy is not confined to government. Bureaucracy is found all around us. Most of the groups to which we belong, including religious organizations and clubs, the businesses and corporations for which we work, have the characteristics of a bureaucracy.

About the only thing you will find that is not a bureaucracy is a small business run by the owner who makes up rules on the spot, hires and fires and changes responsibilities on whims, and keeps few records. The same can be said of an organization that is led by an all-powerful charismatic leader, who calls all the shots and is responsible to no one, like a religious cult. These groups often have problems in meeting legal obligations to government entities, such as keeping records for tax purposes. Because of the great powers placed in the hands of leaders, these non-bureaucratic groups are often quite abusive of members.

A. Hierarchical Structure

A bureaucracy has a tree-like structure, with leadership at the top and a chain of command. Theoretically, information flows in both directions and decisions flow down. Each level has control over levels below it.

You can see this in the university structure. Professors have department chairs, and they may have deans over them, and then an academic vice chancellor, chancellor or president, with the president reporting to some kind of board of trustees or another president if the school is in a larger system, and that president to a system board of trustees. If it is a public university, the overall board of trustees then reports to some entity in the state government, such as the legislature or some department in the executive branch. If you have a problem with a grade or how your professor treats you, then you follow the structure in your appeals process. Learning this structure can be important if you do need to make some kind of appeal.

The structure can be quite long and complex. I remember being in the Army and having to recite my “chain of command” as part of my promotion requirements, all the way from a lowly enlisted man, me, to my commander-in-chief, the president.

B. Specialization

Each position in the structure has a set of clearly specified responsibilities, often in the form of a job description. Anyone having the skills to perform these tasks can do that job. So if someone leaves, then someone else with those skills can step in and the organization continues to function. Sometimes this is called “specialization of function” in the organization.

The bigger the bureaucracy, the narrower is the specialization of function. For example, in a small organization, the same people who handle personnel matters (hiring and benefits) might also handle the budget. Those who do planning might also do quality control. In a larger organization, each of these kinds of functions is probably separated into different offices.

C. Rules and Regulations—“Red Tape”

Every bureaucracy, including the university, has rules it must follow. In a university the rules are laid out in things like a bulletin, a student manual, and a faculty manual. The ways things must be done is often called a **standard operating procedure (SOP)**. To see that rules are followed, forms must be filled out and records must be kept. Each student has a file where records on academic progress are kept. Professors have grade books where records on grades are kept. This is the part of teaching that most professors hate—all the record keeping.

All the records, or red tape, are a real pain. But red tape also protects both you and your professor—from each other! Without records teachers could give any grades they wanted at the end of the semester and you could do nothing about it. Without records you could accuse a teacher of discrimination and the teacher would not be able to prove that you were treated like any other student. So red tape is necessary for the possibility of equal treatment, one of the conflicting things we want from bureaucracy.

Ironically, red tape may also allow us to get at least part of the second thing we want—individual treatment. If records show that your case is clearly different from other cases in ways that fall outside the rules and if the bureaucrat is given enough discretionary power to treat unique cases differently, then you might get the kind of individual treatment you want—emphasis on “might!”

IV. The Evolution of National Bureaucracy—From a Few Clerks to Spoils to Civil Service

When George Washington was president, he only had a handful of clerks working for him. Only three cabinet departments existed (War—later changed to the name Defense—State, and Treasury). By 1800 the total national bureaucracy was only about 3,000. In the story behind an 1803 Supreme Court case we will discuss later, *Marbury v. Madison*, Secretary of State John Marshall failed to deliver the judicial commission to Mr. Marbury at the end of the John Adams administration. Can you imagine a Secretary of State today having to personally deliver a commission to a new judge?

In the early 1800s the bureaucracy grew slowly, with the greatest increase coming in the Post Office, which grew as the nation expanded. In the late 1820s

President Andrew Jackson started making appointments to nearly all federal jobs, including postal workers, who comprised a majority of all federal workers, on the basis of partisan membership. The idea was that the winning party and its supporters got the jobs. This system goes by several names—the **spoils system** (based on the saying that “to the victor go the spoils”), or **patronage**.

Those who disliked the patronage system charged that it rewarded political loyalty rather than competence and it encouraged corruption in the form of campaign contributions from people who had or who wanted jobs. It also placed a great burden on presidents to make all the appointments as the size of the national government grew. Lincoln complained about being hounded by office-seekers who came to the White House every day.

On the other hand, the patronage system did guarantee the loyalty of those in the executive bureaucracy to the president. So the system, for all its flaws, did improve the responsiveness of government offices to the president and make the president responsible for the actions of those to whom he gave jobs.

Pressure to reform the spoils system came to a head in 1881 when a man who had been turned down for a federal job assassinated President Garfield. Ironically, Garfield had complained about all the time he spent in dealing with people seeking jobs. The great public outcry led to the first major reform in the selection of the national workforce, the **Pendleton Act** of 1883. This law replaced many patronage jobs with jobs based on **merit selection** under a new office called the Civil Service Commission. The idea was to select and promote government workers based on tests and objective qualifications and protect them from political pressure, even to the point of preventing them from engaging in almost all political activities other than voting.

Over time more and more jobs have been placed under merit selection, either under special merit selection offices within each agency or department or under a general office for all other jobs, called the **Office of Personnel Management**, or OPM. Today all but a few thousand federal jobs are under some form of merit selection.

The movement to merit selection creates a major control problem for presidents. They can no longer threaten bureaucrats with firing to get them to be responsive to presidential leadership. Moreover, bureaucrats are in government for entire careers while a president is only in office for two terms. So bureaucrats have a much longer time perspective than presidents, who know that they must move fast to make bold policy changes. Bureaucrats would prefer to move slowly, do studies, make minor changes, and not take risks. By the time all the studies are done, the president is in the middle of her or his second term and has lost a lot of political influence. In effect bureaucracy can outwait most presidents. Those who study bureaucracy call this “**incrementalism**,” and see it as a major problem in getting bureaucracy to respond quickly.

Because of all this, holding the president responsible for all bureaucratic misbehavior and sluggish action is more than a little unfair. Of course voters tend to blame the president anyhow. Rather than being overwhelmed with people seeking office, modern presidents are overwhelmed by trying to get the bureaucracy to carry out new policies.

Presidents have employed a variety of tools to try and make the bureaucracy more responsive to their leadership. Some created parallel bureaucracies in the White House to bypass the official bureaucracy. Richard Nixon bypassed the Department of State in negotiating our withdrawal from Vietnam and the Defense Department when carrying out secret bombing of Cambodia during the Vietnam War. Nixon's National Security Advisor, Henry Kissinger, held secret talks with North Vietnam, and Nixon's Secretary of State, who was holding public talks, did not even know about Kissinger's negotiations. The secret bombings of Cambodia were directed from the White House and bypassed the Secretary of Defense's Office. Of course these kinds of actions can lead to great criticism when discovered, as they inevitably are.

Other presidents have used reforms to try to increase responsiveness. President Carter created the **Senior Executive Service** in the Civil Service Reform Act of 1978. It gave financial incentives for senior level bureaucrats to move into the new service. The tradeoff was that presidents were free to move these senior service people around to ensure that they would be more responsive.

During the Clinton presidency Vice President Al Gore oversaw a major set of reforms known as the **National Performance Review** (NPR). It was aimed more at improving performance and citizen satisfaction than presidential control. It did such things as require that agencies make measurements on how well they were achieving their goals and gave bureaucrats more discretion in dealing with the public, encouraging bureaucrats to treat the public as customers. This approach came originally out of the private sector from the total quality management (TQM) movement. As appealing as it is, it has its limits. Can your professor treat you as a customer who is "always right," when part of the job of professor is to judge the quality of student performance on assignments as well as deliver course material in an interesting and effective way?

Almost all presidents do some reorganization of bureaucracy to try and make it more responsive. This is not always easy because Congress must approve reorganization. Moreover, interest groups, who feel they may lose representation within the executive branch, are often able to influence Congress to block reorganization. President Johnson thought that combining the Departments of Labor and Commerce would reduce conflict between those departments. But the departments, labor unions, and corporations worked together to stop the change. Johnson did bring the departments and their

supportive interest groups together—to oppose his proposal! Johnson was not the only president to fail in reorganization efforts. President Reagan promised to abolish the Department of Education and the Department of Energy, but was unable to do either.

V. Size and Growth of Government Bureaucracy

A. Growth Patterns

The national civilian workforce numbered only a few thousand in the early 1800s. A significant increase in the size of the national government took place during and after the Civil War, with the government mobilizing resources for the war effort and then running a very labor intensive benefits program for Union Army veterans. As these veterans passed from the scene, the pension program decreased in size, but new departments were created, such as the Department of Agriculture, to administer new programs as the nation moved west. As Progressives pushed for more regulation of powerful corporations in the early 1900s and as the labor union movement grew, a Department of Commerce and a Department of Labor were created. By 1930 the number of civilian federal employees increased to over half a million.

The most rapid increase in American history came in the 1930s in response to the Great Depression and then in mobilizing the nation for World War II. By 1950 the number had grown to about 2.5 million. The number dropped a little in the 1950s with the end of the Korean War, but then expanded in the 1960s in response to many events: the accelerating arms race with the Soviet Union, the Vietnam War, and the many social programs of Lyndon Johnson's Great Society. Further civilian support for a military build-up in the Reagan years caused the number to peak at about 3 million at the end of the Cold War in 1990. Under President Clinton the numbers dropped by several hundred thousand to roughly 2.7 million. The numbers increased slightly after the terrorist attacks of 9-11 in 2001, but the total has remained in that range.

Of this 2.7 million federal employees, about 98% are technically under the executive branch (data from the "2004 Fact Book" at the OPM Web site). Congress and the judicial branches have about 30,000 support employees each. Within the Executive Branch, the civilians in the Department of Defense total about a fourth of all employees, the postal service a little under a third, and the rest are scattered over the other departments and agencies.

Is this a lot of employees or not so many? As with almost all political questions, the answer is that "it depends." Compared to state and local governments that together have over 18 million employees, the number of national government employees is relatively small. As a percentage of the total labor force (all employment in the United States), the size of national government

civilian employees has actually been shrinking. In 2008 national government civilian employees were about 1.8% of the total labor force (based on Bureau of Labor Statistics numbers). Or to put it another way, less than 2 in 100 workers in the U.S. were employed as civilians by the national government in 2008. Because the total labor force has been increasing and the number of civilian employees working at the national level has stayed the same for some time, the percentage has been falling.

During the 1990s and since then, government at all levels has greatly improved efficiency through use of computers and the internet. The delivery of government services by way of the Web is called **E-government**. Today you can use the Web to renew your driver's license, pay water bills, pay your tuition and register and even take courses at public colleges (as well as private), file your income taxes at all levels, ask questions to public officials, and obtain a wide range of other services. This trend will only increase in the future.

In one sense the numbers we have been discussing are artificially small. Consider all the grant programs that exist. Because so many federal programs are partially funded by the national government but actually carried out at the state and local government level, state and local employees should at least be partially counted. Because some work only part-time on federal funding, exactly how they are to be counted could get quite complicated, but you get the point.

In addition, many programs are carried out by nongovernment employees who work for companies that have contracts with the government to perform certain services. Contractors outnumber government workers at many Department of Energy sites, for example. Contractors even provided services for the military in Iraq that were once provided by soldiers, such as "kp" duty and driving trucks with supplies, and even security for other government employees. This practice of contracting out is often called **proxy administration** or **privatization**.

The administration of George W. Bush did more contracting out than any previous administration. More civilians worked under U.S. government contract in the Iraq War than we had soldiers fighting in Iraq. The Bush administration attempted to extend contracting out to religious organizations. The White House Office of Faith Based and Community Initiatives was designed to encourage religious organizations to deliver public services to those in need using government contracts and grants. Of course, this was controversial because it raised questions of government support for religious institutions.

Privatization not only undercounts government activities, but it is also quite controversial. Defenders of this practice say that private companies are more efficient because they compete for government contracts. Some local governments save money by contracting for things like garbage services, and some state governments have even contracted out for prisons. Critics argue that

contractors are often unaccountable and sometimes less efficient once they get the contract. Civilian contractors in Iraq, to cite extreme cases, often pay far higher wages and cost far more than military personnel doing the same thing. Moreover, when civilian contractors like Blackwater Security had personnel who indiscriminately shot Iraqi civilians, Blackwater was unaccountable to either the military or to the civilian government of Iraq.

Sometimes contracting out works and sometimes it does not. No clear-cut rule tells us whether services are better provided directly by government employees or by a contractor as a proxy for the government.

Perhaps we have asked the wrong question about government size. Perhaps the important question is not about whether the national government bureaucracy is too big or too small, but whether it is big enough to do the things we want or need it to do. That takes us to explanations for the growth of bureaucracy, reasons that include consideration of things we want and/or need from government.

B. Reasons for Bureaucratic Growth

1. National Growth

This one is pretty simple. As we saw, the expansion of the United States from “sea to shining sea” caused considerable growth in bureaucracy. Even if government did little more than deliver the mail, bureaucracy would have grown. Indeed, for much of the nation’s history in the 1800s and even into the 1900s, mail delivery occupied more national employees than any other activity.

2. National Crises

Each time the nation faced some crisis, the number of national employees expanded to meet that crisis. We saw this in talking about the growth patterns in civilian national government employment. The greatest increases took place in meeting the crisis of the Great Depression and then World War II. Other increases took place under Lyndon Johnson’s Great Society programs and after 9/11.

Some crises were short term. For example, the First World War had only a temporary impact on national government employment. The nation demobilized in the years after that war.

Others were longer or were more of a series of crises. The Second World War was immediately followed by Korea and then an ongoing Cold War that lasted for nearly half a century. The energy crisis of the 1970s led to the creation of a Department of Energy in 1977, which consolidated all the separate energy related agencies and programs scattered throughout the national government.

The creation of a Department of Homeland Security in 2003, which brought together a wide range of agencies to hopefully prevent and respond to domestic attacks, was a direct result of the 9-11 attacks.

Failure to deal with a crisis increases bureaucracy. For example, the poor response to Hurricane Katrina in New Orleans and the Gulf Coast led to a public outcry for more structures to be put in place to improve the response the next time as well as for government actions to prevent future disaster, like rebuilding levees higher and stronger.

3. State Failures

When states fail to adequately protect citizens in almost any way, those citizens will almost always exert pressure on the national government to provide protections and/or aid. The examples of this over history are many, and they cover a wide range of state failures.

Southern states failed to provide equal treatment of African American citizens. The result was a civil rights movement that eventually imposed better treatment and a variety of national governmental agencies and offices within departments to make sure that this was done.

Workers felt that states were not allowing them to organize and engage in collective bargaining with employers. They demanded national action and had significant success. The National Labor Relations Board oversees union organization activities.

Unsafe working conditions in workplaces across the nation led to a national Occupational Safety and Health Administration (OSHA), which forced states to meet minimal national standards. The same thing can be said of environmental protection and the Environmental Protection Agency. Women used federal laws and court rulings to gain more protection against discrimination in the workplace when states failed to act.

Can you think of other examples, or perhaps even possible future examples? How about protections for people financing new homes, or students taking out loans to pay for college?

4. Market Failures

Americans have great faith in the economic market. The market responds to consumer demands because private actors see a demand and then take action to produce goods and services to sell. Yet sometimes these market forces do not work when the prospect for profit is too risky, or requires too much investment, or is too far in the future.

Consider the telecommunications industry, which depends on satellites. In the 1950s and 1960s the government laid the groundwork for this industry by its research in rockets. Certainly this was motivated by defense concerns after the Soviet Union successfully launched Sputnik in 1957, but the financial investment was far too great and too uncertain for private companies to take the lead. Nuclear power and nuclear medicine also came from government research that private companies would almost certainly not have done. Much basic research on genetics and new drugs, especially for diseases that are not widespread enough to generate great profits for drug companies (called “orphan diseases”), simply would not take place through the private market. Can you think of other examples or examples that might exist in the future?

5. Citizen Demands/Conflicts Because of More Interdependence

I find this particular reason fascinating because it focuses on how life has changed in the U.S. over time. For about a hundred years after the Constitution went into effect, most Americans lived on isolated farms. Consider how the typical farm family survived. They grew most of their own food, made their own furniture, provided their own sanitary facilities and water, made most of their own clothing, handcrafted many of their own farm implements, and even provided most of their own medical care, primitive though it was.

As the nation moved into the industrial revolution in the late 1800s, this picture of rugged individualistic self-reliance began to change. Farmers began to rely more on machinery that they could not build themselves. They bought more things from general stores and mail order and went to town more often for services and mass produced goods as towns began to spring up all over the nation. They used more of their land for a single cash crop, like cotton or tobacco in the South, and less for crops that their own families consumed. Small less efficient farms failed and larger farming operations gobbled them up. Failed farmers went to work either in nearby towns or left entirely for growing cities and factory or mill work, joining the many immigrants who went from ship to factory. Farmers depended on the railroads to get their cash crops to market.

You get the picture. Both those remaining on farms and those in towns and cities were far more dependent on others than they had been. By the early 1900s the nation had been transformed from relatively independent yeoman farmers to a nation of people who were interdependent on each other.

The trend toward interdependency has continued for more than a century. How long would most of us last if all the services we rely upon each day were suddenly cut off? Without the Internet I could not write an e-text for you to read online. We buy most of the things we get from total strangers and deal with service rep's who are often on the other side of the world. We eat foods and consume medications prepared by others. Intelligently choosing the best item or service is nearly impossible because of the complexity of most of the things we

buy. Today what we buy and consume comes from people in other nations as well as other Americans. All this is part of what is called “**globalization**,” an economic trend that breaks down national borders and allows goods and services and even people to move more freely in response to market demand.

The result of this growing interdependency is more conflicts with each other and more uncertainty about the safety of the things we consume. We ask government to resolve the conflicts and make guarantees that the things we consume are safe and work as advertised. When something we consume harms us, our loved ones, or even our pets, we demand more government protection—more bureaucracy. Frequent news stories tell us of the latest scare, whether it be unsafe toys, tomatoes, mad cow beef, dangerous pet food, something in a new car that is unsafe, loan practices that trick consumers, products produced in other nations by slave labor, or processes that harm the global environment. Then we hear calls for more government regulation.

Alternative ways of dealing with this growing interdependency do exist. We could rely on lawsuits to hold producers accountable for harmful services and products. We could use private alternatives to government regulation. If you remember the discussion of political ideology, you might recall that libertarians prefer minimal government. They would not have the Department of Agriculture inspect meat, but rather rely on lawsuits to keep the food industry in line. Alternatively, if producers had an image problem, producers could pay for private certification of product safety and use that certification in advertising. Government would only have to provide the courts in which consumers who were harmed could obtain compensation for damages.

Although that approach could work, it would not suit most Americans. Most Americans want to know with some assurance that their doctor is licensed by the state and that the food they eat has been inspected and found safe before consumption. They do not trust private certification that the producers pay for. The knowledge that you can put a producer out of business after you are harmed, or your heirs can after you are killed, is just not acceptable as adequate protection to most citizens.

You might look in the news and find stories of harms that might lead to citizen demand that the government do something. More bureaucracy will almost certainly follow if the government does in fact do something!

6. Interest Group Representation

If you look at the departments and agencies that exist at the national level, which we shall do shortly, you will see that most can be associated with some kind of interest group. Many departments were created because of campaign promises to groups that their concerns would get higher priority in a new administration. Jimmy Carter promised teachers that he would give greater

emphasis to education, and so we got a separate Department of Education in 1979. George H. W. Bush promised that he would do more to help military veterans, so he proposed and got a separate Department of Veterans Affairs created as a cabinet department in 1989. An agency already existed, but getting cabinet status seemed to increase the level of government concern for problems veterans faced.

Once an interest group has a government office that raises the attention given to its members, the group does all it can to influence and defend that agency or department. If successful, the government office begins to operate in a way that may be more concerned with the welfare of the interest group than the public in general.

This tendency is reinforced by the fact that much of the expertise in an industry comes from people working in that industry. They are often hired to run the government office, and of course they bring the perspective of their group to the government office. That perspective does not necessarily promote the public welfare. For example, the Department of Agriculture promoted programs to protect tobacco farmers long after it was clear that smoking was not good for Americans.

7. Bureaucratic Desire for Power

Bureaucracies also grow because of a very natural human tendency to want more power. Career bureaucrats usually go to work in an office with a mission they believe in, whether it is the environment, space exploration, or consumer or workplace safety. They will push for greater budgets and powers to achieve their professional goals.

Even when presidents place new people in charge of these offices with orders to reform them, these new people are often influenced by the wealth of information and expertise they find there. After a few months heading some government office and daily encounters with those who have spent their career in the area, the new politically appointed head begins to take the agency perspective on things. This transformation is called “**going native**.” Almost all presidents run into this problem in trying to get bureaucracy to change by using their appointment powers. It is another part of the responsive/accountability problem.

VI. Structure of the Bureaucracy at the National Level

While I certainly do not expect you to memorize the organizational chart of the national government, you should know some of the major kinds of government offices. If you were to look at several American government texts,

you would find variation in the precise names for these different types. We shall, in the spirit of this text, try to keep it simple.

A. Cabinet Level Departments

The **cabinet departments** are the national offices with the highest status and visibility. The term “cabinet” is not in the Constitution. Rather, as you may remember, the cabinet was a creation of President Washington. As noted earlier, we only had three departments when Washington took office. The Department of State has remained as the principal department in the area of foreign policy. The Department of Treasury has also maintained its name and general role, though the job is far more complicated today. The War Department was renamed the Department of Defense in 1949 after World War II. The political motivation for this change was that “defense” is more appealing to Congress and voters as something that always needs funding. On the other hand, “war” only needs support when we are in an actual war. Names are important in building political support!

Over the more than two centuries that have passed, the number of cabinet level departments has grown to fifteen. Some have been subdivided, like the Department of Education and the Department of Health and Human Services being divided out of the old Department of Health, Education, and Welfare in 1979. The Post Office was one of the first departments, created in 1792. But in 1971 Congress changed it into a government run corporation in order to emphasize that it was to operate on a business model and pay its own way. As noted earlier, several departments were created in response to crisis, for example, the newest department, Homeland Security. You might see how many departments you can name, and then look them up on the Internet to find any you are missing.

Each department has a collection of government offices under it that go by a variety of names, such as bureau, office, division, or service. For example, the Internal Revenue Service is under the Department of the Treasury.

Being a department rather than a separate agency is mostly about status and visibility. Cabinet departments do not have any extra powers that agencies don't have. But because so much in politics is about status and visibility, we are likely to see more departments in the future. One obvious candidate for this kind of elevation is the Environmental Protection Agency as we become more concerned about climate change issues.

All departments have one thing in common, recruitment and tenure. The president nominates the head of each department, the Senate confirms, and the President can fire the heads without any approval of Congress. A second thing they almost all have in common is titles. All are called “Secretaries” of _____,

except for one. Do you know which one carries a different title? Look it up if you don't know.

B. Executive Branch Agencies

Executive branch agencies, sometimes called independent executive branch agencies, are independent of cabinet departments, but otherwise are similar to cabinet departments, except that they are narrower in scope. Heads are appointed by the president and may be fired by the president. Heads may have to be approved by the Senate, depending on how Congress wrote the law that created the agency.

Examples of executive branch agencies, which number in the hundreds, include the Small Business Administration (SBA), the Central Intelligence Agency (CIA), and the National Aeronautics and Space Administration (NASA). Some of the heads of these agencies, like the commissioner of the Social Security Administration, are given some protection from political pressure. They can be given a set term of office and only allow the president to remove them "for cause." This means that they had to have done something illegal or unethical.

Be careful if you look up the term "Independent Executive Branch Agencies" on the Web, as many listings I have seen include other kinds of government offices. Let's look at these other kinds.

C. Regulatory Agencies

Regulatory agencies, sometimes called "independent regulatory agencies," are independent in two kinds of ways. First, just like executive branch agencies, they are independent of the cabinet departments. Second, they are usually independent of presidential control, though not always.

The standard model is that the president nominates and the Senate confirms a board or set of commissioners for fixed terms that are staggered. This means that the president does not get to nominate them all at once. The president then usually nominates and the Senate confirms a chair, who also serves for a fixed term, usually a shorter term that overlaps into the term of the next president. For example, the Chair of the Federal Reserve Board (or "Fed") serves a four year term that ends two years into a presidential term. So a new president must live with the existing Chair of the Fed for two years after being elected. The president may not fire any commissioner or chair without cause. On the other hand, this is not always true. For example, the Environmental Protection Agency is an example of a regulatory agency whose head is not insulated from presidential firing.

The defining characteristic that separates regulatory agencies from executive agencies is that regulatory agencies act not only to carry out policy, but

also make policy as a legislative body and then hold hearings to see if the rules are violated and impose penalties for violations as a judicial body would do. So they are described as quasi-legislative and quasi-judicial.

Examples of regulatory agencies include the Securities and Exchange Commission (SEC), which was set up to regulate the buying and selling of stock after the great stock market crash that set off the Great Depression.

The Federal Reserve System, or Fed, was set up to monitor and regulate money supply. This is a very important agency that we will discuss later in this chapter.

The Federal Election Commission (FEC) is sometimes listed as an executive agency, but its rulings and hearings on violations of federal election practices make it more of a regulatory agency. And it fits the typical model of how regulatory agencies are set up. It is partially insulated from political influence in how it is governed. It has six commissioners who serve for six year terms on a rotating basis so that two are nominated every two years. They are nominated by the president and confirmed by the Senate. No more than three can be from the same party. Four votes are required for any action. And the chair rotates among members every year. As you can see, the rules can get pretty complicated.

Other examples of regulatory agencies are the Federal Trade Commission (FTC), the National Labor Relations Board, and the Equal Employment Opportunity Commission (EEOC).

D. Government Corporations

Government Corporations are different than the preceding types of offices in that they run on a business model, at least theoretically. They provide services that are purchased so as to be self-financed. Some, like the United States Postal Service, have been successful. Though people complain about rising prices of stamps, they are still quite competitive with private carriers, even though Congress requires the postal service to maintain tiny post offices in places in the nation that are extremely unprofitable. Thousands of tiny post offices serve rural isolated communities as places where people meet informally as they pick up mail or send letters, providing a sense of community that would not otherwise exist.

Others, like Amtrak, which runs passenger rail services, have had a difficult time being self-sustaining. They require regular federal subsidies to keep operating in most places.

Another example is the Federal Deposit Insurance Corporation (FDIC), which is an insurance agency that protects your bank deposits. This was created to give people confidence that their deposits would be secure during times of

economic crises. Mass withdrawals driven by panic could cause the economic system to collapse. Banks pay premiums to have this insurance.

E. Miscellaneous Government Entities

A number of government entities do not fall under any of these headings, so we have a “leftover” category for them, miscellaneous. An entity such as the Smithsonian Institute, which houses historical, scientific, cultural and artistic objects, does not clearly fit into the other categories. Presidential commissions, like the Civil Rights Commission, are another example.

In addition, we could include the bureaucracy associated with the other branches of government in this miscellaneous group, though as we noted earlier, it is quite small compared to the bureaucracy under the executive branch. Two of the more important bureaucracies outside of the executive branch are the **Government Accountability Office** (GAO), which performs investigations for Congress, and the Library of Congress, which is perhaps the largest repository of books and information in the world, more and more of which is accessible on the Web today. (You find it at <http://www.loc.gov/index.html>.)

VII. The Fourth Branch?

Sprinkled throughout this chapter is a lot of evidence that the bureaucracy has many of the characteristics of a separate branch of government. Most significantly, it has complex relationships with each of the three branches that we might consider checks and balances.

Bureaucracy can check presidential power in several ways. We have seen the appointment arrangements that insulate many agencies and commissions from presidential control. Bureaucracy can move slowly. It can resist by calling attention to actions and proposals that are unpopular. During the Reagan presidency, the professional bureaucrats in the Environmental Protection Agency (the EPA) undermined the efforts of Reagan’s appointed head to go slow on environmental protection. Revelations to the public in the form of leaks to the press and to Congress in testimony eventually led to removal of the EPA head. Congress has encouraged bureaucrats to reveal misdeeds within government, including misdeeds by political appointees, by passing laws to protect bureaucrats who play the role of “**whistleblowers**.”

In carrying out laws, bureaucracy inevitably interprets the meaning of laws, which can frustrate Congress as well as the president. The same can be said in the execution of court rulings. Bureaucracy makes judgments as to how rulings apply to their actions and authority. Legal decisions are rarely self-executing. So when the courts ruled in 1954 that public schools should be

desegregated with “all deliberate speed” (*Brown v Board of Education*), bureaucracies at all levels of government had to decide exactly what that meant.

The three branches of government have many ways to check bureaucratic power as well. We have touched on several already. The president may be able to fire some agency heads or not reappoint others. Congress can perform its oversight or “watchdog” role, investigating bureaucratic actions. No bureaucrat likes to appear before Congress to explain their actions. The congressional investigation of the Federal Emergency Management Agency (FEMA) bungling the response to Hurricane Katrina on the Gulf Coast is a good example. Ultimately, Congress can cut money off—power of the purse. Congress can also rewrite laws to clearly mandate or prohibit certain actions.

The courts can overturn bureaucratic actions as illegal or even unconstitutional. As I was writing this chapter I saw a news story that perfectly illustrates this point. A federal court ruling ordered the Department of Agriculture to compensate a farmer whose land was poisoned by sludge from sewage plants under a government program that encouraged farmers to spread sludge on fields as fertilizer. The ruling also condemned the Environmental Protection Agency officials for ignoring scientific evidence that the program was not safe. Bureaucracies will have to clean up their act.

Because of all these interrelationships with the executive, legislative, and the courts, political scientists sometimes call the executive bureaucracy the fourth branch of government. Although the founders certainly did not think of bureaucracy this way, changes in society have created a highly professional and complex bureaucracy that is involved in our daily lives far beyond anything that the founders probably could have imagined.

We will never get everything we want from bureaucracy because of the conflicting demands we place on it. It cannot treat us all equally and as unique individuals at the same time. It cannot be insulated from politics and at the same time be responsive to politically elected leaders.

Despite this, for all its faults and our dissatisfactions, our bureaucracy does a pretty good job most of the time. Most mail gets delivered on time. Regulations have certainly improved safety on the highways and in the workplace and of most products. Bureaucrats are more likely today than in the past to hold advanced degrees and work by professional codes of conduct. If bureaucracy is to perform well, it must attract motivated well-educated professionals who feel a calling to public service. In this sense, the career decisions of you and your peers will have a great impact on bureaucracy in the future.

A 2000 study by the Pew Center for the People and the Press of citizen satisfaction with specific major federal agencies concluded that “agencies receive

positive performance evaluations, winning strong marks for customer service and technical competence.” A 2002 cross-national study, also done by the Pew Center, suggests that citizens in most nations generally view things run by the government as “inefficient and wasteful.” However, the percentage expressing this general negative opinion was lower in the United States than almost any other nation.

Putting these two studies together suggests that while bureaucracy in general has a bad reputation, specific bureaucracies are much better in the eyes of people who get services from them. When we think of bureaucracy in general, we think of the horror stories we see in the news, stories that are more the exception than the rule. When we think of our own treatment by specific government agencies, we tend to be more satisfied.

VIII. Policy Implications—Economic Policy

Earlier in this chapter we noted that the president and Congress often come into conflict over the bureaucracy that carries out day-to-day government policy. We also noted that some bureaucracies are created to insulate them from political pressures. Economic policy is an excellent example of a policy area that illustrates conflict between the two most political branches as well as the workings of a bureaucracy that was designed to be independent, the Federal Reserve System, or “Fed” for short.

We shall examine the two major kinds of economic policies that the national government follows to try and achieve economic goals. In doing so, we shall also note some theories that economists and politicians have proposed to guide government economic policy. My goal here is for you to understand the major ideas and terms of this ongoing and never-ending debate about what the government should do, if anything, to improve the economy. You will hear some of these ideas in almost every political campaign. Of course, you should take a good general economics course to be more fully informed.

A. Fiscal Policy—Congress and the President

Fiscal policy refers to the national government attempting to affect the economy through taxes and spending. Generally speaking, you can understand this by considering how taxes and spending affect economic activity. Lower taxes tend to leave more money in the hands of consumers and businesses, so that when they spend or invest, it stimulates more economic activity. More government spending also stimulates economic activity because it is buying goods and services and paying salaries that also puts more money in the hands of consumers.

Because taxes and spending require passing bills and signing them into laws, both the executive and legislative branches have an impact on fiscal policy. Getting those two branches to agree on what needs to be done is not very easy if they are controlled by different political parties. So frequently we see the president and Congress at odds about fiscal policy.

1. Free Market or Laissez Faire Economic Theory

The conscious use of either lowering taxes or increasing spending to stimulate economic activity was not something that the national government did for most of our history, at least up until the Great Depression of the 1930s. Rather, the dominant idea was to set taxes high enough to pay for needed spending and run a balanced budget. If the economy slowed, then government generally tried to reduce spending. This was part of a larger belief that government should minimize interference in the natural economic cycles—the idea of **free market or laissez-faire** (meaning “hands off”) **economic theory**.

This is not to say that government was not involved in the economy. Even before the writing of the Constitution in 1787, the national and state governments promoted economic growth. Colonial governments subsidized many industries and businesses and put in place protective tariffs. The Northwest Ordinance, passed in 1787, attempted to promote expansion and settlement to the west. Congress created a National Bank in 1791 to help stabilize the value of currency, which was a must for business and commercial interests. Later the government promoted westward expansion by giving large subsidies to railroads. Government spending on infrastructure, the building of roads and bridges, along with the postal service, were all aimed at stimulating economic activity. The Morrill Act gave states incentives to build land-grant colleges to aid in research and economic development.

Nevertheless, the dominant belief was that the overall economy was self-regulating. The self-regulation was driven by millions of people making rational decisions to correct for market swings. For example, during an economic downturn when people are not buying things, prices and interest rates fall. The rational response would be for people to take money out of savings, which are not making as much in interest, and spend it on cheaper goods and services. When the economy heats up too much so that prices are high and demand for money is high, thereby driving up interest rates, people will then start saving money. This is because they can get higher interest on savings and avoid paying higher prices for goods and services. Thus at both extremes of the economic cycle, the belief was that self-correcting individual actions make the necessary adjustments without government action.

2. Keynesian Countercyclical Policies

While free market theory sounded logical, it did not work to make the necessary corrections during the Great Depression. The problem was fear. People, fearing that they would be the next to lose their jobs, did not spend money. As spending decreased further, more and more people lost their jobs and fear increased. We were caught in a downward economic spiral. The problem was how to break out of the spiral.

During this period a brilliant young British economist by the name of John Maynard Keynes was publishing new theories on economics. Today he is considered the father of macroeconomic theory. His prescriptions for what government should do are named after him, **Keynesian economics**. To greatly oversimplify, Keynes suggests that government should plan its fiscal policy on the basis of going counter to the economic cycle. If the economy is running too slow, then government should increase spending without raising taxes in order to stimulate the economy. To put it another way, if consumers are too afraid to spend, then the government should spend and run a **deficit** (spending more than the taxes and revenues that come in each year). However, when the economy heats up, the government should cut spending and raise taxes so as to have a **surplus** (spending less than the taxes and other revenues that come in) and pay off accumulated debts.

President Franklin Roosevelt was aware of this new theory and was willing to try it, at least a little bit. He had come into office promising to balance the budget, exactly the opposite of what Keynes would have prescribed. But things were so bad that Roosevelt was willing to try something new. So he did start to run deficits, and they helped, at least a little. Certainly the programs he created put people to work and put money into the economy. But by Keynes's calculations, the deficits were far too small. The Depression lingered on until the Second World War. The war forced massive deficit spending which was sufficient to stimulate the economy, and the Great Depression ended.

Keynes's ideas seemed to have been validated. Since then the national government has attempted to use fiscal policy to smooth out the economic cycles, though exactly how much to spend or cut has remained a matter of debate.

The nation is facing these questions again in dealing with what many are calling the "Great Recession" that began in late 2007. How much should the national government stimulate the economy? What kinds of programs will work best? Should government rebuild a crumbling infrastructure as part of this package? Should the national government give money to states that are cutting spending and services in trying to balance their budgets as their revenues fall? Should the national government rescue corporations that are failing? Should that rescue include government control over how those corporations operate, how they pay executives, and what they produce? The questions of the 1930s are with us again.

3. Supply-side Economics

The major problem with Keynesian prescriptions was political in nature. While spending on new programs without raising taxes is politically popular, cutting programs and raising taxes even during good times is not popular. Political leaders had a hard time carrying out the second part of Keynesian policy, making cuts and/or raising taxes so as to run surpluses. Once a program was in place, interest groups formed around the program and then defended the program. Deficits became hard to eliminate and the national debt began to grow.

Along came another economist, Arthur Laffer, who postulated a quite controversial theory for government fiscal policy in the 1970s. The basic idea of **supply-side economics** was that government could drastically cut tax rates and the amount of government revenue would actually go up, now down. Laffer reasoned that people would use the money they did not pay in taxes to invest and buy things. Additional buying and investing would create additional economic activity. That activity would generate tax revenue, which, according to the theory, would more than make up for lower tax rates.

This politically appealing idea was picked up by those people supporting Ronald Reagan and Reagan himself, who ran on a platform that endorsed supply side economics. One of his primary opponents, George H. W. Bush, called it “voodoo economics,” because it promised to do so much with no pain whatsoever: greater economic activity, more savings, low interest rates, and an increase rather than decrease in government revenue so as to create a surplus rather than a deficit. It sounded too good to be true. However, despite his misgivings, Bush also endorsed the idea when he agreed to be Reagan’s running mate.

Reagan won the White House in 1980, and he was able to convince Congress to pass a 25% income tax cut over three years. The question was whether this produced the promised economic benefits. We did get some of what was promised. The cuts did stimulate the economy and interest rates fell. But we also got very high deficits, and the national debt increased dramatically. In all fairness, defenders of the theory could claim that the prescription was not perfectly followed. At the same time that income taxes were falling, Social Security taxes were increasing, which at least partially offset the cuts. In addition, government spending on defense was rapidly increasing in our arms race with the Soviet Union. So it was not a perfect test. Economists have no definitive answer for us. So supply side economics remains a theory that is popular among a wide number of politicians, and you are likely to hear some version of this theory in elections to come.

B. Monetary Policy—The Fed

In addition to fiscal policy, the national government also can use monetary policy to influence the economy. **Monetary policy** generally refers to measures taken to “influence the availability and cost of money and credit to help promote national economic goals”

(<http://www.federalreserve.gov/monetarypolicy/fomc.htm>, downloaded 5/16/2008.)

While the legislative and executive branches control fiscal policy, monetary policy is controlled by an independent regulatory agency that is well insulated from the two political branches, the Federal Reserve System (the Fed). We talked about the Fed earlier in this chapter as an example of how bureaucracy can be insulated from political control. You can find much more information about the Fed at their website.

Congress created the Fed in the early 1900s to address the problem of banking failures and panics in which people tried to withdraw all their savings. The Fed had the power to make short term loans to help banks meet these demands so as to reduce the chances of a panic.

Over time the Fed’s responsibilities have grown to include monitoring the overall health of the economy, and taking actions to keep the economy strong. The Fed has been playing a major role in dealing with the financial crisis of the Great Recession.

1. Money Supply and Tools of the Fed

The Fed’s Board of Governors sets monetary policy. The Board of Governors consists of the Chair, who serves for a four year term, and six other members who serve for staggered 14 year terms. They also oversee the Federal Reserve Banks, which consist of 12 regional banks that perform a variety of functions, including supplying new currency, making loans to commercial banks, and buying and selling government securities. A third entity within the Federal Reserve System is the Open Market Committee, a 12 member committee composed of the 7 members of the Board of Governors and 5 of the presidents of the regional banks, including the president of the New York Federal Reserve Bank.

In order to understand what the Fed does, you need to understand a little about the concept of **money supply**. To greatly oversimplify, money supply refers to the amount of money in circulation. As with all other things in economics, money follows laws of supply and demand. If a lot of money is in circulation, it is easier to get and spend. You can think of interest rates as the price of money. So if money is scarce, interest rates—the price of money—go up.

A great complexity in this simple picture is what counts as money and how it moves in and out of our economy. For example, your credit card creates

instant money in the form of a loan that you put in circulation when you use the card. So the Fed has to account for credit card usage. The dollars we send abroad to pay for oil we import, called “petro-dollars,” can come back into our economy when oil producing nations invest in or buy something in the United States, including government securities. You can see how complicated this gets.

The Fed has a range of tools to try and control money supply. The Open Market Committee plays a major role in managing money supply by ordering the N.Y. Federal Reserve Bank to buy or sell government securities. Buying securities puts money back into circulation (they give you money for the note they buy from you) and selling them takes money out of circulation (you give them money for a note that promises to pay you later).

Another tool is the power of the Board of Governors to set reserve requirements for banks. The more deposits that banks must keep in their vault, the less money they have available to loan. So raising reserve requirements lowers money supply. Lowering reserve requirements raises money supply.

Discount rates, that is, the interest rate that banks must pay to Federal Reserve Banks when they need money on a short term basis to carry on business, also affects money supply. Raising the discount rate makes it more expensive for banks to borrow money. That discourages banks from making loans and encourages them to demand higher interest rates for the loans they do make. So higher discount rates tend to lower the money supply and slow down economic activity. Lowering discount rates has the opposite effect.

The Board of Governors also has the power to control certain aspects of consumer credit laws. One thing they can do is make the use of credit cards harder or easier. Obviously discouraging the use of credit cards tends to slow down the creation of money in the economy through use of credit cards.

2. Monetarism—Laissez-Fairer Economics Reborn

How should the Fed determine monetary policy? Another famous economist, Milton Friedman, developed a set of theories that have played a major role in what the Fed has done over last several decades. Friedman argued that contrary to the original beliefs of Keynesians, money supply was very important in the economy and that inflation was a major problem that the Fed should address through careful control of money supply. Economists today generally accept most of this theory.

However, Friedman went beyond this and forcefully and influentially argued that nearly all government regulation was bad. To oversimplify his prescriptive ideas of **monetarism**, the Fed should carefully grow money supply at the same rate that the economy grows, and then government should get out of the way and let market principles run the economy with minimal regulation. Years

ago when I taught an American political theory course, I used Friedman's 1962 book, *Capitalism and Freedom*, as a text to introduce the case for a libertarian free market approach to what government should and should not do.

Friedman's work had a lot of influence on national politics late in the 1900s when deregulation was pursued across the political landscape, from airlines to financial markets. From the perspective of the early 2000s, the wisdom of monetarist prescriptions became questionable. The first hint of a problem was the collapse of the savings and loan industry back in the 1980s. In the decades that followed, we have had increasingly poor airline service, a collapse of the real estate market in 2007-8, and a growing inequality of income in which the middle class was falling behind and the opportunity to rise was becoming more difficult. All this led many economists and political leaders to doubt that monetarism was the cure-all it was touted to be (see for example, "A Fresh Look at the Apostle of Free Markets," *N.Y. Times*, April 13, 2008, <http://www.nytimes.com/2008/04/13/weekinreview/13goodman.html>, downloaded 5/16/2008). From the point of view of a college student who cannot afford student loans, whose flight home was cancelled because the airline went out of business, whose parents just lost their home because of ballooning interest rates, and whose grandparents lost much of their retirement income in the collapse of their investment accounts, a little more government regulation might not seem like such a bad idea.

C. Where You Stand On Economic Policy Depends on Where You Sit

We would all like to have low unemployment, low interest rates, and low inflation along with high increases in real income across the board. The debate among economists about the relative importance of fiscal and monetary policy in helping us achieve these goals in the economy will go on. The debate about what and how much regulation to have in each area of economic life will go on.

From the perspective of participants in American politics, you should understand that attempting to achieve these desirable goals usually involves tradeoffs. For example, one important way to fight inflation is to tighten monetary policy (reducing money supply, thereby raising the value of the money that is in circulation) and/or tighten fiscal policy (reducing government spending and/or raising taxes). These measures have a negative effect on employment, causing more people to be out of work. So in a real sense, the unemployed are the foot soldiers against inflation. That may be fine with you if your job is secure, and it may be wonderful if you are in banking and investments and do not want inflation eroding the value of your investments. But what if you have just graduated from college and can't find a decent paying professional job? Conversely, tolerating a higher rate of inflation by increasing money supply and continuing government spending helps people entering the workforce to find jobs as well as people who are out of work by creating government programs. But it hurts those who have savings or large investments or who are on fixed incomes that do not grow with

inflation. The point is this: preference for policies that fight inflation or policies that stimulate job creation depends at least partly on who you are and where you fit into the economy.

While we have talked about taxes in terms of levels of taxation, we have not talked about kinds of taxes. Policy preferences here also depend on where you sit in the economy. Taxes may be classified as falling into one of three groups, progressive, regressive, or flat. **Progressive taxes**, like our federal income tax, work so that those with higher incomes pay a higher percentage. The major justification for this is that those with higher incomes can afford to pay more.

Regressive taxes work in the opposite way, that those with lower incomes pay relatively more. Few taxes work this way directly, but many have a regressive impact because of how they are collected. For example, a sales tax, though it would appear to be flat, that is, the same for everyone, is regressive in its impact. For those down the income ladder who have to spend all their money on things just to survive, the sales tax is on all their income. The better off may spend only a fraction of their money on consumer goods, investing or buying non-taxed services with the rest. So they only pay the sales tax on a portion of their income. In effect this reduces their sales tax rate. Governments could start charging sales taxes for services and give rebates to the poor to transform sales taxes into a flat tax where everyone pays about the same percentage of their income in taxes, but this would be politically difficult at best.

Every kind of tax hits different groups in different ways. **Property taxes**, which are based on the value of property and homes citizens own and upon which most local governments depend, are detested by homeowners because they come in large amounts and they hit each year all at once. They also can hurt those whose property values have increased because of development around them, even when their income has not increased. Inheritance taxes, which have little effect on most people, are very unpopular among the better off and those owning large amounts of property. Corporate taxes and capital gains taxes are very unpopular among investors and business people.

Perhaps the least unpopular taxes are those placed on items that are associated with alcohol and tobacco. These taxes are often called **taxes on sin** because they tax items that many people find immoral. Yet those who make and distribute these items use the full range of lobbying techniques to resist them.

D. Economic Policy and the Evolution of Bureaucracy

From the perspective of understanding the American political system, you should understand that the structure of our government leads to a great deal of conflict over our economic policy. Congress and the president, if they can agree on fiscal policy, may find that the Fed, because of its independence in the

bureaucracy, our “fourth branch” of government, is pursuing a monetary policy that has the opposite effect of current fiscal policy. This happened in the early 1980s when the Fed was pursuing a very tight monetary policy to wring inflation out of the economy as the Reagan administration was pursuing economic stimulation in its supply-side policy of cutting taxes.

Confusing? Most definitely! But conflict over policy is just what the founders wanted. And the evolution of the bureaucracy, barely mentioned in the Constitution, has added to the existing system of checks and balances and conflict over what government should do. Whether this expansion of checks and balances will prevent us from doing what needs to be done to thrive in an ever more competitive global economy will be the stuff of political debates in the future.

KEY TERMS AND IDEAS

discretionary power
red tape
recess appointments
impoundment
Budget and Impoundment Control Act of 1974
bureaucracy
standard operating procedure
spoils system or patronage
Pendleton Act
merit selection
Office of Personnel Management
incrementalism
Senior Executive Service
National Performance Review
e-government
proxy administration or privatization
globalization
going native
cabinet departments
executive branch agencies
regulatory agencies
government corporations
Government Accountability Office
whistleblowers
fiscal policy
free market or laissez-faire economic theory
Keynesian economics
deficit and surplus
supply side economics

monetary policy
money supply
monetarism
progressive taxes
regressive taxes
property taxes
taxes on sin

Possible Web Exercises

1. E-government is affecting our relationships with government at all levels. Find the Webpage for some local government in which you live (municipality or county) and see what things you can do entirely over the Web.
2. National growth is one explanation for the growth of government bureaucracy. How large is the nation today in population? How many people currently work for the United States Postal Service?
3. Find the names of the fifteen cabinet level departments and the names of the people who head each of them.
4. Find background information on several cabinet secretaries and see if their backgrounds provide expertise in the areas over which they have power and might cause them to have sympathy for the interest groups that are affected by the respective departments.
5. Find an organizational chart for the executive branch that includes the cabinet departments and some of the executive and regulatory agencies. You may note how complex these charts can become.