

AG 23.01 What goods do governments provide?***AG 23.02 What role do entitlement programs and discretionary spending play in the government's regulation of the economy?*****Goods and services provided by government:**

The postal service, interstate highway system, interstate waterway navigation, Radio and television station licensing, and monitoring, interstate commerce control, disease and health inspection and control.

Entitlement Programs

- The kind of government program that provides individuals with personal financial benefits (goods or services) to which a number of potential beneficiaries have a legal right whenever they meet eligibility conditions that are specified by the standing law that authorizes the program.

-The beneficiaries of entitlement programs are normally individual citizens or residents (sometimes organizations)

-The most important examples of entitlement programs at the federal level in the United States would include Social Security, Medicare, and Medicaid, most Veterans' Administration programs, federal employee and military retirement plans, unemployment compensation, food stamps, and agricultural price support programs.

The politics of entitlements

- It can be difficult to control the exact size of the budget deficit or surplus each year because of entitlements.

- It is often very hard to predict in advance just how many individuals will meet the various entitlement criteria during any given year, so it is therefore difficult to predict what the total costs to the government will be at the time the appropriation bills for the coming fiscal year are being drafted.

- The amount of money that will be required in the coming year to fund an entitlement program is often extremely difficult to predict in advance because the number of people with an entitlement may depend upon the overall condition of the economy at the time.

- For example, the total amount of unemployment benefits to be paid out will depend upon the changing level of unemployment in the economy as the year wears on.

- Some very large entitlement programs (including Social Security pensions and government employee retirement programs) have been "indexed" to inflation, so that the size of the benefit is periodically adjusted according to a fixed formula based on unpredictable changes in the Consumers' Price Index.

The politics of entitlements

- Since the middle 1980s, entitlement programs have accounted for more than half of all federal spending.
- Taken together with such other almost uncontrollable expenses as interest payments on the national debt and the payment obligations arising from long-term contracts already entered into by the government in past years, entitlement programs leave Congress with no more than about 25% of the annual budget to be scrutinized for possible cutbacks through the regular appropriations process.
- This very substantially reduces the practicality of trying to counteract the ups and downs of the overall economy through a "discretionary" fiscal policy because so very little of the budget is available for meaningful alteration by the Appropriations and Budget committees on short notice.

Discretionary Spending

- "Discretionary spending", on the other hand, consists of US government expenditures that are set on a yearly basis. This is money that members of Congress can adjust on a yearly basis.

Examples of discretionary spending in the United States:

- Defense Budget, Education , Environmental Protection Agency, Department of Veterans Affairs

The Difference

Entitlement = Mandatory

Discretionary = Optional

Discretionary Spending

When looking to cut costs, lawmakers usually look to trim discretionary spending.

Austerity

A policy of deficit-cutting by lowering spending via a reduction in the amount of benefits and public services provided.

Deficit Spending

When the total amount spent is higher than the total amount raised in revenue.

Is this good or bad? Is it always?