

CHAPTER 2: ECONOMIC POLICY: TO PROMOTE THE GENERAL WELFARE

Economic policy is one of the two large chapters in the book (the other is Chapter 3 on foreign policy). As with all the substantive chapters—the bulk of the book—I have tried to apply the concepts of Chapter 1 to help understand public policy in the economics field.

As mentioned in the chapter, economic policy is based on macroeconomics. Taking such a course, I believe, is a good idea for instructors (and students). Taking microeconomics is also a good idea, but not really important to this chapter. I have taken graduate-level courses in both, and though I cannot say they were entirely enjoyable courses, they have helped me in writing this chapter.

As is true of all the policy chapters, the text makes much use of numbers as a way of understanding policy problems, solutions, etc. Deborah Stone's discussion of numbers is very illuminating here.

Students need to understand the fundamentals of how the economy works in the United States and the role of the federal government. They need to understand the policy tools the federal government has, especially monetary policy, which is more difficult to understand than fiscal policy. They need to know who institutionally makes monetary and fiscal policy and the processes they go through. While monetary policy is somewhat difficult to understand, the congressional budget process is both obscure and broken. I have also found that students have some difficulty comprehending the difference between the **debt** and the **deficit**.

As with the other chapters, there are areas in this chapter that are only briefly covered or not covered at all. One important issue is foreign trade. Here, a discussion of the importance of foreign trade would be very useful. Certainly, a focus of the impact of foreign trade on the

American economy is important. Here, we can get into the decline of the manufacturing sector, the decline of unions, the impact on jobs and wages, and so forth. Related to that would be a discussion of the major trade agreements, such as the North American Free Trade Agreement (NAFTA) and the proposed, but not implemented, Trans-Pacific Partnership (TPP). NAFTA was an issue in the 1992 presidential campaign and the TPP in the 2016 presidential campaign.

There is an enhanced discussion of economic inequality in this chapter. Indeed, many chapters, with Chapter 9 being the most obvious, have some focus on equality. There are interesting issues here. Is inequality inherent in a capitalist system? Is inequality inherent in any kind of system developed by humans? What are the causes of economic inequality, and why does it seem to have gotten worse? The 2012 and 2016 presidential elections both had some focus on this. A discussion of why issues might be important is certainly appropriate.

Everybody pays taxes (with a very few exceptions). President Trump has called for tax reform, and every president has faced tax issues during their time in office. A discussion of the American tax system is something instructors and students could talk about. It is also important to note that local and state governments have tax (and budget) issues as well. They should be included in any discussion of taxes in the United States. It also might be useful to make some comparisons with other Westernized, developed countries. Are our taxes so high that our corporations are at a disadvantage and, therefore, seek ways to lower their tax burdens? Other countries have larger national government budgets, measured as a percentage of gross domestic product (GDP), than the United States. That might be another good avenue to explore.

Finally, for a basic understanding of this area from a disciplinary perspective, reading a good macroeconomics text is very helpful (for instructors). Good websites for economic policy, from different perspectives, include the Economic Policy Institute, the Brookings Institution, and the Heritage Foundation. For those interested in budgeting issues, the budget the president submits each year is a treasure trove of data. The historical budget statistics are a gold mine of information.