

# APGOVPOL

## Chapter 17: Economic Policymaking

### Key Words and Terms, Defined

antitrust policy: a policy designed to ensure competition and prevent monopoly, which is the control of a market by one company

capitalism: an economic system in which individuals and corporations, not the government, own the principle means of production and seek profits; pure capitalism means the strict noninterference of government in business affairs (compare mixed economy)

collective bargaining: negotiations between representatives of labor unions and management to determine acceptable working conditions

consumer price index (CPI): the key measure of inflation that relates prices in one year to prices for a base year that are figured as 100

Federal Reserve System: the main instrument for making monetary policy in the U.S.; it was created by Congress in 1913 to regulate the lending practices of banks and thus the money supply; the seven members of its Board of Governors are appointed to 14-year terms by the president with the consent of the Senate

Federal Trade Commission: the independent regulatory agency traditionally responsible for regulating false and misleading trade practices; it has recently become active in defending consumer interests through its truth-in-advertising rule the Consumer Credit Protection Act

fiscal policy: a policy that describes the impact of the federal budget – taxes, spending, and borrowing – on the economy; unlike monetary policy, which is controlled by the Federal Reserve System, fiscal policy is almost entirely determined by Congress and the president, who are the budget makers (see also Keynesian economic theory)

Food and Drug Administration: the federal agency formed in 1913 and assigned the task of approving all food products and drugs sold in the U.S.; all drugs, with the exception of tobacco, must have FDA authorization

industrial policy: a formula for a broad range of proposed economic reforms that emerged as a unified political program in the early eighties; had they been passed, these reforms would have given government officials additional authority, as well as the necessary fiscal and regulatory powers, to directly alter the country's industrial structure; proponents of national industrial policies across the globe have typically been harsh critics of unfettered markets and of past limited efforts of government to create economic growth simply with macroeconomic (fiscal and monetary) policies.

inflation: the rise in prices for consumer goods; inflation hurts most people but actually benefits others; groups such as those who live on fixed incomes are particularly hard hit, while people whose salary increases are tied to the consumer price index but whose loan rates are fixed may enjoy increased buying power

Keynesian economic theory: the theory emphasizing that government spending and deficits can help the economy weather its normal ups and downs; proponents of this theory advocate using the power of government to stimulate the economy when it is lagging (see also fiscal policy)

laissez-faire: the principle that government should not meddle in the economy (see also pure capitalism)

mixed economy: an economic system in which the government is deeply involved in economic decisions through its role as regulator, consumer, subsidizer, taxer, employer, and borrower; the U.S. can be considered a mixed economy (compare capitalism)

monetarism: an economic theory holding that the supply of money is the key to a nation's economic health; monetarists believe that too much cash and credit in circulation produces inflation (see also monetary policy)

monetary policy: based on monetarism, it is the manipulation of the supply of money in private hands by which the government can control the economy (see also the Federal Reserve System, compare fiscal policy)

National Labor Relations Act: a 1935 law, also known as the Wagner Act, that guarantees workers the right of collective bargaining, sets down rules to protect unions and organizers, and created the National Labor Relations Board to regulate labor-management relations

right-to-work laws: laws prohibiting labor agreements that require all employees to be union members

supply-side economics: an economic theory, advocated by President Ronald Reagan and the George W. Bush administration, holding that too much income goes to taxes and too little money is available for purchasing, and that the solution is to cut taxes and return purchasing power to consumers; supply-side economic policies have widened the gap between government revenues and government expenditures

Taft-Hartley Act: a 1947 law giving the president the power to halt major strikes by seeking a court injunction and permitting states to forbid requirements in labor contracts forcing workers to join a union (see also right-to-work law)

transnational corporations: businesses with vast holding in many countries – such as Microsoft, Coca Cola, and McDonald's – many of which have annual budgets exceeding that of many foreign governments

unemployment rate: as measured by the Bureau of Labor Statistics, the proportion of the labor force actively seeking work but unable to find jobs