

GOVERNMENT INTERVENTIONS

UNIT 8



AGENCIES

- FDIC: Federal Deposit Insurance Corporation – Insures our money up to \$250,000
- SEC: Securities Exchange Commission – makes sure there is no fraud in the stock market
- Federal Reserve: Nation's bank – regulates Monetary Policy

FEDERAL RESERVE

- Uses Monetary Policy to influence the economy
- Monetary Policy – Raising or lowering interest rates to manipulate the amount of money in circulation
- Also requires banks to have a “reserve requirement” – minimum amount of money available in a bank
- Goal: keep the economy stable

EXAMPLES. IF THE FED...

- Increases the discount rate: it decreases the supply of money
- Decrease the discount rate: increases the supply
- Increase reserve requirement: decrease the supply
- Decrease reserve requirement: increase the supply
- Purchase government bonds: increase the supply
- Sell government bonds: decrease the supply

POLICIES

- Loose Money Policy: Put more money in circulation (money isn't as valuable)
- Tight Money Policy: Take money out of circulation (money is too valuable)

FISCAL POLICY

- Used by the government (Congress)
- Raising/Lowering taxes to manipulate the amount of money in circulation
- Goal: to keep the economy stable

EXAMPLES

- Cutting taxes: puts more money in our pockets so we have more money to spend
- Increasing government spending: can stimulate the economy if in a depression

CONTRACTIONARY POLICY

- Restricting the amount of money in circulation
- Same as tight money policy

EXPANSIONARY POLICY

- Putting more money in circulation
- Same as loose money policy

DEFICIT SPENDING

- Spending more money than is coming in to try and stimulate the economy.
- What is a stimulus bill?
 - A package of economic measures government puts together to try and reinvigorate the economy
- END

LABOR UNIONS

- What is it? A group of people who organize for the rights and interests of workers
- Types:
 - Craft/trade: based on a trade in which they work
- Industrial Unions: all workers in the same union regardless of skill

PURPOSE

- Collective Bargaining: negotiating between employers and a group of employees aimed towards workers compensation and rights
- Strike: workers refuse to work until their requests are met
- Lock out: Employers don't let employees work
- Mediation: 3rd party helps with negotiations does not represent the court
- Arbitration: 3rd party decides the outcome and it's legally binding