

APGoPo – Unit 7

PUBLIC POLICY VOCAB

Ch. 16 – Making Economic Policy

1. **Fiscal policy** – Government policy that attempts to manage the economy by controlling taxing and spending, which affect inflation through lower taxes and less government spending, and unemployment through more government spending.
2. **Monetary policy** – Government policy that attempts to manage the economy by controlling the money supply and thus interest rates.
3. **Inflation** – A rise in the general price level (and decrease in dollar value) owing to an increase in the volume of money and credit in relation to available goods.
4. **Unemployment** – The number of Americans who are out of work but actively looking for a job. The number does not usually include those who are not looking.
5. **Excise tax** – Consumer tax on a specific kind of merchandise, such as tobacco.
6. **Deficit** – The difference between the revenues raised annually from sources of income other than borrowing and the expenditures of government, including paying the interest on past borrowing.
7. **Tariff** – Tax levied on imports to help protect the nation's industries, labor, or farmers from foreign competition. It can also be used to raise additional revenue.
8. **Progressive tax** – A tax graduated so that people with higher incomes pay larger fraction of their income than people with lower incomes.
9. **Regressive tax** – A tax whereby people with lower incomes pay a higher fraction of their income than people with higher incomes.
10. **National debt** – The total amount of money the Federal government has borrowed to finance deficit spending over the years.
11. **Mandatory spending** – Required spending under the federal budget.
12. **Discretionary spending** – Spending that can be altered by congressional and presidential action.
13. **Office of Management and Budget (OMB)** – Presidential staff agency that serves as a clearinghouse for budgetary requests and management improvements for government agencies.
14. **Congressional Budget Office (CBO)** – An agency of Congress that analyzes presidential budget recommendations and estimates the cost of proposed legislation.
15. **Tax expenditure** – Loss of tax revenue due to Federal laws that provide special tax incentives or benefits to individuals or businesses.
16. **Sales tax** – General tax on sales transactions, sometimes exempting food and drugs.
17. **Value-added tax (VAT)** – A tax on increased value of the product at each stage of production and distribution rather than just at the point of sale.
18. **Federal Reserve System** – The system created by Congress in 1913 to establish banking practices and regulate currency in circulation and the amount of credit available. It consists of 12 regional banks supervised by the Board of Governors. Often called simply *the Fed*.
19. **Laissez-faire economics** – Theory that opposes governmental interference in economic affairs beyond what is necessary to protect life and property.
20. **Keynesian economics** – Economic theory based on the principles of John Maynard Keynes stating that government spending should increase during business slumps and be curbed during booms.
21. **Protectionism** – Policy of erecting trade barriers to protect domestic industry.
22. **Trade deficit** – An imbalance in international trade in which the value of imports exceeds the value of exports.
23. **General Agreement on Tariffs and Trade (GATT)** – An international trade organization with more than 130 members, including the United States and the People's Republic of China, that seeks to encourage free trade by lowering tariffs and other trade restrictions.
24. **World Trade Organization (WTO)** – International organization derived from the General Agreement on Tariffs and Trade (GATT) that promotes it free trade around the world.
25. **North American Free Trade Agreement (NAFTA)** – Agreement signed by the United States, Canada, and Mexico in 1992 to form the largest free trade zone in the world.
26. **Offshoring** – The practice of exporting U.S. jobs to lower paid employees in other nations.
27. **Regulation** – Efforts by government to alter the free operation of the market to achieve social goals such as protecting workers and the environment.
28. **Monopoly** – Domination of an industry by a single company; also the company that dominates the industry.
29. **Antitrust legislation** – Federal laws (starting with the Sherman Antitrust Act of 1890) that try to prevent a monopoly from dominating an industry and restraining trade.
30. **Trust** – A monopoly that controls goods and services, often in combinations that reduce competition.
31. **Closed shop** – A company with a labor agreement under which union membership is a condition of employment.
32. **Union shop** – A company in which new employees must join a union within a stated time period.
33. **Labor injunction** – A court order forbidding specific individuals or groups from performing certain acts (such as striking) that the court considers harmful to the rights and property of an employer or community.
34. **Collective bargaining** – Method whereby representatives of the union and employer determine wages, hours, and other conditions of employment through direct negotiation.
35. **Environmental impact statement** – Statement required by Federal law from all agencies for any project using Federal funds to assess the potential affect of the new construction or development on the environment.
36. **Deregulation** – A policy promoting cutbacks in the amount of Federal regulation in specific areas of economic activity.

Ch. 17 – Making Social Policy

1. **Unfunded mandates** – Programs that the Federal government requires States to implement without Federal funding.
2. **Entitlements** – Programs such as unemployment insurance, disaster relief, or disability payments that provide benefits to all eligible citizens.
3. **Means-tested entitlements** – Programs such as Medicaid and welfare under which applicants must meet eligibility requirements based on need.
4. **Public assistance** – Aid to the poor; “welfare.”
5. **Social insurance** – Programs in which eligibility is based on prior contributions to government, usually in the form of payroll taxes.
6. **Social Security** – A combination of entitlement programs, paid for by employer and employee taxes, that includes retirement benefits, health insurance, and support for disabled workers and the children of deceased or disabled workers.
7. **Medicare** – National Health Insurance program for the elderly and disabled.
8. **Medicaid** – Federal program that provides medical benefits for low-income persons.

Ch. 18 – Making Foreign and Defense Policy

1. **Realism** – A theory of international relations that focuses on the tendency of nations to operate from self-interest.
2. **Idealism** – A theory of international relations that focuses on the hope the nations will act together to solve international problems and promote peace.
3. **Isolationism** – The desire to avoid international entanglement altogether.
4. **Internationalism** – The belief that nations must engage in international problem solving.
5. **Unilateralism** – A philosophy that encourages individual nations to act on their own when facing threats from other nations.
6. **Bush Doctrine** – A policy adopted by the Bush administration in 2001 that asserts America’s right to attack any nation that has weapons of mass destruction that might be used against U.S. interests at home or abroad.
7. **Multilateralism** – A philosophy that encourages individual nations tacked together to solve international problems.
8. **Preemption** – A policy of taking action before the United States is attacked rather than waiting for provocation.
9. **Hard power** – The reliance on economic and military strength to solve international problems.
10. **Soft power** – The reliance on diplomacy and negotiation to solve international problems.
11. **Theory of deterrence** – A theory that is based on creating enough military strength to convince other nations not to attack first.
12. **Weapons of mass destruction** – Biological, chemical, or nuclear weapons that can cause a massive number of deaths in a single use.
13. **Normal trade relations** – Trade status granted as part of an international trade policy that gives a nation the same favorable trade concessions and tariffs that the best trading partners receive.
14. **Bipartisanship** – A policy that emphasizes a united front and cooperation between the major political parties, especially on sensitive foreign policy issues.
15. **Economic sanctions** – Denial of export, import, or financial relations with the target country in an effort to change that nation’s policies.