

4.9 Ideology and Economic Policy

Describe different political ideologies on the role of government in regulating the marketplace.

The range of political ideologies held by citizens frames and constrains public policy debates. No policy receives greater attention than when governments get involved in making economic decisions. The business of America is, after all, business.

Liberals, represented by Democrats, actively support government regulation of the market. Big government policies ultimately grew out of economic crises. Economic depressions demanded bold answers. The single greatest example of a time when bold answers were given was during the Great Depression of the 1930s. Democratic president Franklin Roosevelt promised the nation a New Deal. With it came an unprecedented economic policy agenda. Fiscal policy turned to higher taxes and significant higher spending. Balanced budgets were replaced by Keynesian theories that advocated for government debt. The Federal Reserve centralized monetary policy during this time of crisis. Money supply was tightened and interest rates increased. Liberals favor economic experimentation. Typically, liberals look to government to help the under-dog. Whereas they favor increasing the inheritance tax they actively pursue an increase in the minimum wage. Liberals favor an active government in the economy.

Conservatives, represented by Republicans, advocate for less government regulation of the market. Traditionally Americans preferred a government with a laissez faire economic policy. Self-reliance, rugged individualism and entrepreneurship have been the backbone of American prosperity according to conservatives. Government should stay out of business affairs if at all possible. Of course, at times even conservatives see the need for some government regulation. At times a referee is needed to keep private enterprise fair. Safety nets for the disadvantaged are to be expected. Nevertheless, Republicans prefer supply side policies. This typically calls for lowering marginal tax rates. Therefore, conservatives favor fiscal policies that reduce both taxes and government spending. Monetary policy, as well, should keep interest rates lower. Conservative economic policy supports lowering inheritance taxes. It is also argued that raising the minimum wage hurts economic growth. Conservatives favor less government regulation of the marketplace.

Libertarian voices are characterized by a desire for little or no government regulation of the market. Whereas conservatives talk of laissez faire ideals, libertarians demand such policies. Libertarians see no need for government intervention in the economy. They oppose most regulations. Market forces are to be trusted. Governments, they argue, are to be held at an arms distance. Though libertarians can be found across the political spectrum most would agree that government solutions to economic problems should be met with skepticism. Libertarian policies would result in a smaller government with fewer taxes. Government bailouts would end. The government should balance its budget. Libertarians favor little or no regulation of the marketplace.

Despite our political culture's shared commitment to fair and honest trade and equal opportunity, the role of government in the economy is one of our most contested debates. The marketplace of ideas is often mired in economic policy disputes. Advocacy groups can be found across the political spectrum. Markets look to government for stability and certainty. Public policy ideas have economic consequences. American political beliefs not only affect who governs us but what we have in our pocketbooks as well.

Pocket-book issues move and mobilize voters perhaps greater than any other issue. The marketplace of ideas is often stuck on marketplace agendas. We follow stock markets, home prices and grocery bills with much more zeal than many social issues. Some say it is because we are governed by the “golden rule,” he with the gold rules. Ideological differences on marketplace regulation are based on different theoretical support, including Keynesian and supply-side perspectives on monetary and fiscal policies. Liberals and conservatives, Democrats and Republicans, differ greatly when it comes to economic policy.

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Attempts to raise the minimum wage are an example of a marketplace issue that has mobilized liberals. Higher wages, setting minimum standards-of-living and providing for the less privileged has often characterized the economic policy goals of the Democratic Party. To varying degrees they have been successful, but it is never easy.

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Attempts to reform the inheritance tax are an example of a marketplace issue that has mobilized conservatives. Lowering taxes, protecting small businesses from excessive regulation and protecting estates from abusive death taxes has often characterized the economic policy goals of the Republican Party. To varying degrees they have been successful, but it is never easy.

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