

Conservative View

On the one hand, conservatives believe that the government's role should be severely limited. They feel that economic and political freedom is likely to be undermined by excessive reliance on government. Moreover, they tend to question the government's ability to solve social and economic problems. They believe that faith in the government's power to solve these problems is unreasonable. They call for more and better information about what government can reasonably be expected to do and do well. They point to the slowness of the government bureaucracy, the difficulty in controlling huge government organizations, the problems political considerations can breed, and the difficulties in telling whether government programs are successful or not. On the basis of these considerations, they argue that the government's role should be carefully limited.

Liberal View

Conservatives tend to question the government's ability to solve important social and economic problems, but liberals tend to question the market's ability to solve these problems. They point to the important limitations of the market system, and they claim that the government can do a great deal to overcome these limitations. Government can regulate private economic activity. It can also provide goods and services that the private businesses produce too little of. Liberals tend to be less concerned than conservatives about the effects on personal freedom of greater governmental intervention in the economy. They point out that the price system also involves a form of coercion by awarding goods and services to those who can pay the price. In their view, people who are awarded only a small amount of goods and services by the market are forced into discomfort and malnutrition.

The art of economics consists in looking not merely at the immediate but at the longer effects of any act or policy; it consists in tracing the consequences of that policy not merely for one group but for all groups.

Free Market Principles

Government Economic Roles

System of limited Government

Private Property

Freedom of Enterprise and Choice

Motive of Self Interest

System of Markets and Prices

Competition

Economic Powers of Government

to lay and collect taxes

to provide for the general welfare

to borrow money

to regulate interstate and foreign commerce

to establish uniform bankruptcy laws

to coin money and regulate its value

to fix the standards of weights and measures

to protect the writings and discoveries of authors and inventors

Necessary and Proper

Maintaining Legal and Social Framework

Example: Create laws and provide courts, provide information and services to help economy function better, establish a monetary system, define and enforce property rights and enforcement contracts.

Maintaining Competition

Example: Create and enforce antitrust laws; regulate natural monopolies.

Providing Public Goods and Services

Example: Provide goods and services that markets are unable or unwilling to provide, such as national defense or lighthouses.

Redistributing Income

Example: Higher income tax rates for rich than for poor, provide social security, and aid to dependent children, Medicare, Medicaid.

Correcting for Externalities

Example: Taxes to reduce negative externalities, such as environmental pollution; subsidies to encourage positive externalities, such as immunizations. Externalities exist when some of the costs or benefits associated with the production or consumption of a product "spill over" to third parties other than the direct producer or consumer of the product.

Stabilizing the Economy

Example: Use government budgets and/or the money supply to promote economic growth, control inflation, and reduce unemployment.

Headline	Economic Role being fulfilled by Government	Congressional Economic Power	Free Market Principle	Tradeoff	
				Cost	Benefits
Federal Government Approves Crime Bill; Cities to Hire Additional Police					
Minnesota to Sue Tobacco Firms to Recover Health Care Costs					
Consumer Product Safety Commission Recall of Skirts Made in India					
US Investigation Seeks to Find if Aluminum Producers Conspired to Cut Output, Broke Anti-Trust Laws					
Higher Interest Rates Likely Despite Inflation Data					
Pa' Petition for Tighter Curbs on Auto Emissions Approved by Environmental Protection Agency					
Congress Approves Higher Income Tax Rate for Top Wage Earners					
Social Security Payments to Increase by 4% Next Year: Cost of Living Allowance Up					

Program	Economic Role being fulfilled by Government	Congressional Economic Power	Free Market Principle	Tradeoff	
				Cost	Benefits
Obamacare					
Social Security					
EPA regulations					
Medicare and Medicaid					
Minimum wage					
Minimum wage					
Farm subsidies					
Welfare					