GLOSSARY: The Global Economy: Connecting the Roots of a Holistic System

austerity to cut government spending through austerity measures mainly targeted at social programs, especially education, Medicare, social security, infrastructure, and programs for the poor. (8)

balancing feedback limits, restricts, and impedes change and keeps the system stable. Commonly called negative feedback, it is neither good nor bad but means the system resists change. (1)

Bank Holding Company Act passed under President Eisenhower in 1956, the Federal Reserve Board of Governors had to approve establishing a bank holding company (BHC). Also, prohibited a BHC headquartered in one state from purchasing a bank in another state and it forbad banks from participating in most nonbanking activities. (3)

bilateral trade unlike free trade, it is trade that deals country-to-country. (5)

bond a debt security, the issuer owes the holders a debt and is obliged to pay interest and to repay the principal at a later date. (7)

Bretton Woods in July 1944 nearly 1,000 delegates from more than 40 countries gathered at the Mount Washington Hotel in the New Hampshire resort of Bretton Woods to finalize plans for a postwar monetary and financial order. (2)

British East India Company chartered in 1600 by England's Queen Elizabeth I. The company got monopoly trading privileges with India that were expanded into virtual rule of the sub-continent until its end in 1858. (2,3)

bubble the radical rise of prices of an asset far beyond real values. (7)

capitalism an economic system in which private parties make their goods and services available on a free market and seek to make a profit on their activities. Private parties, either individuals or companies, own the means of production – land, machinery, tools, equipment, buildings, workshops, and raw materials. Private parties decide what to produce. The free market is where businesses compete, and the forces of supply and demand determine the prices received for goods and services. Businesses may realize profits from their endeavors, reinvest profits gained, or suffer losses. (1)

Chapter 11 under this section of NAFTA corporations have the right to sue governments for actions that may decrease the corporation's future profits. (3)

classical economic order the system of capitalism, from the mid-19th century to 1914, relied on flexible wages, laying off workers or lowering their wages during bust cycles. Supporters also advocated for minimal government involvement in the economy. Based on the gold standard. The business sector influenced political policy. (2)

climate change takes place when the climate is altered during two different periods of time, with changes in average weather conditions, as well as how much the weather varies around these averages. Humans contribute to climate change by releasing greenhouse gases and aerosols into the atmosphere. (6)

Cochabamba Water Wars a series of protests due to the privatization of the municipal water supply in Cochabamba, Bolivia in 2000. The protesters were successful in outlawing the privatization of their municipal water supply by foreign corporations. (5)

collateralized debt obligation CDO is a pool of debt that is added together and then sold as a set of bonds paying a range of interest rates. Those who issue the bonds pay interest and principal to the investors of the bonds. (7)

colonialism extension of a powerful country's control over a dependent, weaker country, territory, or people. (2)

commercial banks lend out the money deposited in them. Called the piggy banks. (7)

Commercial Paper Funding Facility (CPFF) under this act, the Fed could finance approximately $1.8 trillion worth of commercial paper, it was created in response to the financial crisis in fall 2008, when the commercial paper market froze up, causing the economy to grind to a halt. (8)

commercial paper market part of shadow banking, it is what credit-worthy corporations do for short-term borrowing, such as to meet expenses like payroll. Corporations can borrow billions of dollars for 30, 60, or 90 days, and when those debts come due, they simply roll over the debt for another 30, 60, or 90 day term. (8)

commodification comes from the word commodity, used here as the process of turning something with little or no economic value into a product or service that has a specific value or a higher monetary value. (4)

Commodities Futures Modernization Act of 2000 officially marked the deregulation of financial products known as over-the-counter derivatives, spearheaded by Senator Phil Gramm of Texas. (7)

commons shared areas that are collectively owned by the people. (3)

Community Reinvestment Act in 1977, designed to encourage banks and savings associations to help meet the needs of all borrowers, including those in low-and moderate-income neighborhoods. (7)

comparative advantage countries should specialize in goods they can produce efficiently rather than try to be self-sufficient. In a free market economy, a country's comparative advantage is traded internationally. (5)

conservatorship is similar to a Chapter 11 bankruptcy, new leadership is appointed to the bankrupt company. A conservatorship implies a more temporary control than nationalization, in which the government more completely takes over the bankrupt enterprise. (8)

consumer debt is owed as a result of purchasing goods that are consumable and/or do not appreciate. (4)

Consumer Financial Protection Bureau represents the interests of the consumers against Wall Street, it cleans up the mortgage markets by ending predatory home-lending. (8)

consumer society consumerism and materialism are central aspects of the dominant culture, where goods and services are acquired not only to satisfy common needs but also to secure identity and meaning. (4)

consumerism is a social and economic order based on the creation and fostering of a desire to purchase goods or services in ever greater amounts. In economics, consumerism refers to policies emphasizing consumption. (4)

conventional thinking or traditional, linear or mechanistic thinking, people see simple sequences of cause and effect that are limited in time and space, which assumes that cause and effect occur within a close time frame. (1)

core areas are where intense modern developments in technology, military, society, politics, culture, and especially the economy have taken place. These areas are where wealth generation and accumulation are concentrated and also where rules for the system are devised and enforced. (1)

Corn Laws Britain, the taxes imposed in the early 1800s on imports of grain (corn). The tariffs increased the domestic price of grain. Farmers wanted to keep high tariffs on imported grain in order to protect their grain market, and rightly argued that repeal of the laws would doom British farming. (2)

corporate raiders during the 1980s, they bought up a company's stock when it was undervalued, thus, the company's assets were worth more than their stock. The raiders would then sell off the assets of the company to make a profit, but then the companies taken over were no longer operational. (4)

corporation is a formal business association with a publicly registered charter recognizing it as a separate legal entity having its own privileges, and liabilities distinct from those of its members. (2)

cottage industries flourished alongside the domestic economy and guild system during the Middle Ages in Europe. Textile merchants moved production to the countryside, in rural cottages, hence, cottage industries. (2)

credit default swap (CDS), a form of insurance, the buyer of a credit default swap receives credit protection, whereas the seller of the swap guarantees the credit worthiness of the product. By doing this, the risk of default is transferred from the holder of the fixed income security to the seller of the swap. (7)

credit rating agency (CRA) assigns credit ratings for issuers of certain types of debt. Debt issues with the highest credit ratings – triple A – from the agencies will have the lowest interest rates. The analysis of the CRA influences the investors' confidence in the borrowers' ability to meet their debt payment obligations. (7)

crony capitalism is based on shadowy political connections between government and business. (8)

cyclical unemployment is cause by recessions. An increase in demand can be a cure for cyclical unemployment. As demand increases, employers may increase output, and this may motivate them to start hiring again. (4)

Dawes Act in 1887, divided commonly held tribal lands in Oklahoma (US) into individually-owned parcels, while the remaining "surplus" lands were opened up for settlement and the railroads. (3)

debt something that is owed or that one is bound to pay to or perform for another. (7)

deficit an excess of expenditure over revenue. (3)

delay in feedback for example, we are not yet in a situation where the stresses on the earth have sent strong enough signals to force us to shrink our ecological footprint. Overshoot is possible because there are accumulated resource stocks that can be drawn down. (6)

demand means goods and services are wanted or needed by consumers, inadequate demand could lead to prolonged periods of high unemployment. (2)

deregulation removal or simplification of government rules that regulate the operation of market forces by eliminating or reducing government control of business, thereby moving toward a more free market. (3)

derivative is a security whose price is dependent upon or derived from one or more underlying asset. Fluctuations in the underlying asset determine the derivative's value. (7)

desertification expanding deserts that are mainly the consequence of deforested land and also overstocked and overgrazed grasslands. (6)

devalue currencies are worth less than before. (2)

developmentalism an economic theory which says the best way for the periphery countries to develop is through a strong and diverse internal market and to impose high tariffs on imported goods. Instead of going to foreign corporations in core countries, profits stay in national firms and thus circulate within the national economy. (2)

Dispute Settlement Body (DSB) judicial branch of the World Trade Organization. It has panels of corporate and trade lawyers and officials who preside in secret hearings as final judges of disputes among members. (5)

Dodd – Frank Wall Street Reform and Consumer Protection Act passed in 2010, it is a federal statute instituting reform of the financial sector. Passed in response to the recession after the financial crisis in 2008. (8)

dot-com bubble speculative bubble based on a new technology, the internet, covering the years 1995–2000. (8)

East Asian financial crisis beginning in 1997, financial institutions lost a large percentage of their asset values. The crisis raised fears of a worldwide economic meltdown due to financial contagion. (8)

ecological footprint calculates the amount of land required to supply needed resources, such as grain, food, water, and wood, and absorb the resulting wastes such as carbon dioxide and pollutants. (6)

economic development increases the standard of living in a nation's population through economic growth that requires a transition from a simple, low-income economy to a modern, high-income economy. (5)

economic gap governmental rules that tilt policies to favor those with more wealth than those with less, such as a low inheritance tax, low marginal tax rates that further the concentration of wealth. (6)

economic globalization refers to the increasing integration and expansion of the capitalist economy around the world. Trade, investment, business, capital, financial flows, production, management, markets, movement of labor (although somewhat restricted), information, competition, and technology are carried out across local and national boundaries on a world stage, subsuming many national and local economies into one integrated economic system. There is also a growing concentration of wealth and influence of multi-national corporations, huge financial institutions, and state-run enterprises. (1,5)

economic growth is the process by which wealth increases over time as new commodified value is added to goods and services in the economy. Growth is an essential component of the capitalist economic system, which must expand constantly to generate new wealth. (4)

Efficient Market Theory markets rather than government are able by their very nature to be more efficient and accurate in pricing and allocating resources. (3)

elite democracy elites manipulate the democratic process for their own self-interest and control. (4)

enclosure farms and the commons were converted to privately owned plots marked with clear boundaries and specific private ownership. (2)

equity the difference between the market value and unpaid mortgage balance on a home. (7)

Export-Oriented Industrialization (EOI) countries such as South Korea, Taiwan, Singapore, and Hong Kong pushed exporting manufactured goods to core countries. They turned to EOI in part because they had few natural resources to export to pay for necessary imports, and the only way to earn foreign currency was to export manufactures. They specialized in labor-intensive manufacturers for export. (2)

external areas are those that have not been incorporated into the core-and-periphery world system; they remain outside modern developments. (1)

external costs the cost(s) not paid for by the producer but which is (are) imposed on others. (4)

externalities external benefits or external costs. (4)

factory where numerous workers, sometimes hundreds, gather under one roof, paid a standard wage, divide tasks into individual parts, and work under the close supervision of the owner or manager. (2)

fallacy of composition export-oriented economies in East Asia competed with high-cost Western producers. They under priced their competition but made a profit. As more export-oriented countries entered the export game, increased competition meant a slice into high profit margins. As competition increased, they competed more against each other than with Western producers. Exports slowed and investments were less profitable. (8)

Fannie Mae (Federal National Mortgage Association) authorized in 1938 by Congress, the GSE bought mortgages from lenders, thereby freeing up capital in order that those lenders could extend more mortgages. (7)

farmers market individual vendors – mostly farmers – who sell produce, fruits, meat products, and sometimes prepared foods and beverages. The local community benefits because farmers sell directly to consumers, keeping dollars circulating in the locality instead of being siphoned off to large corporate conglomerates. (8)

Federal Deposit Insurance Corporation (FDIC), part of the 1933 Glass Steagall Act, it insures deposits in certain commercial banks. (7)

Federal Reserve (sometime called the Fed or central bank) central banking system of the U.S. was created in 1913 under the Woodrow Wilson administration. It conducts the nation's monetary policy, supervises and regulates banking institutions, maintains the stability of the financial system and provides financial services. (3)

feedback when change occurs in one part it ripples out to affect all the other parts. The new parts change, and the effect of this change ripples back to affect the original part. The original part then responds to the new influences, and the influences then come back or feed back to the original part in a modified way, making a loop, not a straight line. (1)

Financial Services Modernization Act or **Gramm-Leach-Bliley Act** of 1999, rescinded the Glass-Steagall Act of 1933, signed by President Bill Clinton. Allowed commercial banks, investment banks, securities firms, and insurance companies to consolidate, which was prohibited by the Glass-Steagall Act. (7)

financialization a sector of the economy specializing in creating financial products that have a certain value and can be traded in the market place, such as insurance, loans, real estate sales, stocks, bonds, derivatives, etc. (7)

fine-tuning the economy, the Fed's actions in raising or lowering interest rates. (7)

fiscal austerity raising taxes and reducing government spending. (5)

fiscal policy governmental decisions on spending and taxes. (7)

float when a nation's currency value is allowed to fluctuate according to the foreign exchange market. (2)

Fordism mass production assembly line invented by automobile manufacturer Henry Ford in the 1920s. (2)

Freddie Mac (Federal Home Loan Mortgage Corp.) 1970, expanded the secondary mortgage market. (7)

free trade elimination of import and export quotas and tariffs that are considered to be "barriers to trade." (3)

full employment profit squeeze described the 1960s when the cushion of unemployment benefits, resulted in a declining "cost of job-loss." Workers are more confident in demanding higher wages since little fear of being fired because of a labor shortage. Management enforced a high pace of work to increase productivity and profits, but with a labor shortage their authority over their workers was weak, the rate of productivity growth declined. (2)

fundamentalism a strict belief in a set of basic principles (often religious), it is sometimes a reaction to supposed compromises with modern social, ideological and political life. (1)

futures trading for example, where a farmer will agree to a price for his/her next harvest months in advance. The future price of the harvest is thus a derivative, which can itself be sold. (7)

General Agreement on Tariffs and Trade (GATT) a result of the Bretton Woods convention, signed by 23 countries in 1948. Reduced and conformed tariff rates among the major industrialized countries, but mainly limited to manufactured goods. (5)

Genuine Progress Indicator (GPI) created by the organization Redefining Progress in 1995, measures the general economic and social well-being of all citizens. (6)

Government National Mortgage Association (Ginnie Mae) put together the first mortgage-backed securities. It bought mortgages on the secondary market, pooled the mortgages it had originated, issued them as bonds, and then sold these pools of bonds as a mortgage-backed security to investors on the open market. Rather than waiting 30 years to make back the proceeds from a mortgage. (7)

Glass-Steagall Act of 1933, part of the New Deal regulatory reforms in the U.S. that prohibited a single company from offering investment banking, commercial banking, and insurance services. (3)

global warming general shifts in climate but specifically any change in global average surface temperature. Some areas warm more than others, such as the North and South poles. Some areas will even become cooler. (6)

Global Wave transforming our human story as this new millennium dawns. In it are five conflicting worldviews, with contradictory ways of knowing and understanding the world. Most people identify with one or a combination of these worldviews: indigenous, modern, fundamentalist, globalized, and transformative. (1)

globalization complex, dominant, multi-dimensional phenomenon that interconnects worldwide economic, political, cultural, social, environmental, and technological forces that transcended national boundaries. Greatly intensifying since the 1980s, it reflects the many ways in which people are being drawn together not only by their own movements but also through the flow of goods, services, capital, labor, technology, ideas, and information. Globalization refers to the worldwide compression of space and time and reduction of the state in importance. In globalization the world becomes a single place that serves as a frame of reference for everyone, and it influences the way billions of people around the world conduct their everyday lives. (1)

globalized worldview differs from the modern worldview in that "time has speeded up," the pace of growth and development has intensified and spread to the farthest reaches of the earth. (1)

gold standard system of a standard currency followed by leading core countries of the time. A country's currency was equal to gold, interchangeable at a fixed rate with the money of any other gold standard country. (2)

"**golden straight-jacket**" a mandate that indebted nations must open their markets to development, inviting foreign corporations to enter their national economies, must sell their natural resources at world market prices. Must cut government funded social programs, which usually means medical care and education. Money from these efforts is used for repayment of the debt to the World Bank or IMF. (5)

Gramm-Leach-Bliley Act see **Financial Services Modernization Act**

greenhouse gases a natural system that regulates the temperature on earth, just as glass in a greenhouse keeps heat in. (6)

Gross Domestic Product (GDP) a measure of a country's overall, official economic output. It is the market value of all goods and services officially made within the borders of a country in a year. (4)

Gross National Happiness (GNP) in Bhutan, economic growth and modernization would not be allowed to jeopardize the peoples' quality of life, their traditional values or the environment, and all would have to benefit equally from development through education, health care and a voice in a democratic government. (6)

guild artisans had a common business or trade banded together to carefully control and regulate the production and distribution of their products. They restricted membership, regulated standards of quality and price, discouraged competition, and resisted technological innovations. Guilds did not follow capitalist principles. (2)

haircut a slightly reduced price. (8)

hedge funds a private pool of capital managed by an investment adviser. Open only to a limited number of investors who typically invest a minimum range from about $250,000 to $10 million. (7)

hegemony the political, economic, ideological or cultural power exerted by a dominant group over other groups, regardless of the explicit consent of the latter. (6)

holistic all a society's cultural traits – political, economic, technological, cultural, religious, social, arts, values, attitudes, and environmental – reinforce and support each other. (1)

home equity loans homeowners refinance their mortgages and withdraw their excess equity in their homes. (7)

Homo Economicus or Economic Man, model that states human nature says humans are rational players. (3)

hostile takeovers corporate raiders buy up a company's undervalued stock, company's assets are worth more than their stock. Raiders sell off the company's assets for a profit driving a company out of business. (4)

imperialism 1873-1914, different from colonialism in early modern era. It describes political and economic control by a greater power over a less powerful territory or country. During this era much of Asia, the Pacific islands, the Middle East, and sub-Saharan Africa were taken over by Great Britain and France, and to lesser extent the Netherlands, Belgium, Russia, Portugal, Spain, and Germany, the United States, Japan, and Australia. (2)

import substitution industrialization (ISI) 20th century trade and economic policy that aims for domestic production to replace goods that were previously imported in order to reduce foreign dependency. Adopted in many Latin American countries from the 1930s until the late 1980s, and in some Asian and African countries from the 1950s onward. (2)

indigenous peoples any ethnic group who share a similar ethnic identity and inhabit a geographic region with which they have the earliest known historical connection. (1)

inequality used in this book to mean the disparity between rich and poor. (6)

Industrial Revolution is the industrialization process, which moved rapidly from Britain, its place of origin, to neighboring countries. (2)

industrialization is a process of change from an economy based on home production of goods to one based on large-scale, mechanized factory production with a wage-based labor force. (2)

infant industry argument tariffs, quotas, and other regulations benefit new industries because this protection allows industries to grow until they achieve an economy of scale that enables them to compete on an equal basis with foreign competitors. (2,3)

inflation when price levels rise and the value of money drops. More money is needed than before to buy the same amount of goods and services. (7)

illiquid assets not easily or quickly converted into money, like mortgages. (7)

Intellectual Property (IP) creations of the mind for which property rights are recognized under the law. Owners are granted certain exclusive rights to intangible assets, such as musical, literary, and artistic works; discoveries and inventions; and words, phrases, symbols, and designs. (5)

International Monetary Fund (IMF) regulates an international monetary system based on convertible currencies, lends to countries experiencing temporary balance of payment problems, and to facilitate global trade, while leaving sovereign governments in charge of their own monetary, fiscal, and international investment policies. (5)

investment banks issue bonds and shares of stock, and other complex financial instruments; trade on capital markets, and put together mergers and acquisitions, called casino banks. (7)

joint stock companies were granted a charter by the monarch for trade with their colonies. One individual was not required to raise all the capital for entrepreneurial activities, which lessened their possible losses from risky ventures. (2, 3)

junk bonds a bond rated ‘BB’ or lower because of its high default risk. These bonds allowed companies that would not previously have been considered sufficiently credit worthy to issue debt. (7)

just price practiced by guilds in the Middle Ages, guilds did not seek to realize profits as much as to protect markets and preserve their members’ livelihoods and security. They did not follow capitalist principles. (2)

Keynes, John Maynard (1883-1946) British economist who shaped the transition from laissez faire capitalism to the era of social democracy and managed capitalism in the 1930s. His policies are referred to as Keynesian Economics. (1, 2)

labor productive activity, especially for the sake of economic gain. Body of persons engaged in such activity, especially those working for wages. This body of persons is considered as a separate class of people who are distinguished from management (employers, owners) and capital (those engaged in finance). (3)

labor productivity the amount a worker produces in a unit of time, usually per hour. (4)

laissez faire capitalism a French term that describes describe free trade, deregulated, unfettered capitalism. (2)

lender of last resort traditional banks are subject to government regulation and can, therefore, if need be, borrow from the Federal Reserve. (7)

leverage the use of debt to supplement investment. (7)

leveraged buyouts companies "go private" by buying up their own stock with borrowed funds to avoid the acquisitions of their corporation by another rival firm. (4)

liberalism emerged during the Enlightenment era, ideas include a representative government, division of government, individual rights and freedoms (speech and press), private property, scientific method, reason, individualism, freedom of religion or secularism, and later women's and gay rights and sexual freedoms. (1)

liberalizing national regulations are lessened and markets opened up markets to investors. (7)

liquid assets easily and quickly converted into money that were tradable on the open market. (7)

liquidity money. (7)

liquidity crisis when corporate borrowing and lending collapses, as it did during the financial crisis of 2008. Solvent corporations were shut out of the commercial paper market and found themselves short of cash. The Fed extended lender-of-last resort options to support nonfinancial corporations. (8)

Long Depression of 1873-1896 often referred to as the Great Depression before the 1930s depression, it contributed to great dissatisfaction with free trade and the gold standard by many people. (2)

Main Street considered the real economy, the part of the economy that produces real wealth, as opposed to the phantom wealth of the Wall Street economy. (7)

managed capitalism the government closely regulates the financial sector to prevent wild financial speculation and insures transparency of the system. Tariffs protect manufacturing jobs in the home country; therefore, wages and prices are set according to supply and demand at the national level rather than the global level. Services such as education, health care, the military, and prisons are government run and paid for through taxes. The state sometimes owns large service providers such as utilities, airlines and transportation networks or regulates them. Private enterprise is carefully regulated, with high tax brackets for the wealthiest individuals. Corporations pay a larger share of their profits in taxes than in the neoliberal model. Labor unions have a say in wages and other benefits, as long as their wages keep up with productivity. There is a more equal circulation of wealth than with neoliberalism, hence a vital middle and working class and less of a concentration of wealth in the hands of the elite and corporations. (1)

marginal-productivity theory rationalized that those with higher incomes would generate higher productivity and, thus, they would make greater contributions to society than their lower income fellow citizens. (4)

market liberalization opening up internal markets to the inflow of money from other countries for investment, and the deregulation of their banks. (8)

Marshall Plan (1947-1951) named for Secretary of State George Marshall, millions of dollars spent for rebuilding Europe after World War II. The plan was successful. (2)

Marx, Karl (1818-1883), critiqued capitalism, along with co-author Frederich Engels, proposed a socialist/communist alternative to capitalism in their short book, the *Communist Manifesto* in 1848. (1)

materialism approach to life and social well-being that elevates the material conditions of life over the spiritual and social dimensions. (4)

mercantilism based on the economic relationship between the "mother country," and its colonies. The colonial rulers strove to maintain a favorable balance of trade for their country by importing cheap raw materials from their colonies and exporting the more profitable manufactured goods that the mother country produced. (2)

middle between the core and periphery are middle countries or areas, or people in the middle, they form the middle class. (1)

mixed economy a diverse economy in which a mix of different economic sectors prevents the concentration of wealth and power and cushions the downturn in one economic sector from paralyzing the whole economy. (8)

modern applies to that which is near to or characteristic of the present in contrast to that of a former age or an age long past; hence the word sometimes has the connotation of up-to-date and, thus good, such as modern ideas. (1)

modern worldview traces its historical origins back more than 500 years to the expansion of Western European power and its influence and/or ultimate dominance around the world. The modern worldview has been especially powerful over the last two centuries and has today expanded to the farthest reaches of the world. (1)

modernization transformation from traditional to modern societies. Takes place with European colonization and their imposition and spread of European or modern values and ways of thinking on the rest of the world. This perspective says traditional societies benefit from modernization – economically, politically, culturally, socially, and psychologically, as they "progress" from backward, primitive, uneducated societies to modern, enlightened, educated societies.

monetarism Milton Friedman and others theorized that the central bank should expand the money supply at a constant rate every year, equal to the rate of GDP growth, and irrespective of business cycles. In contrast to Keynesian theory. (3)

monetary policy, the Federal Reserve influences the flow or availability of money and credit. (7)

moral hazard someone's willingness to take risks – particularly excessive risks – that s/he would normally avoid, simply because s/he knows someone else will shoulder whatever negative consequences will follow. (7)

mortgage a loan secured by real property through the use of a mortgage note. (4)

mortgage-backed securities the collateral backing the securities are home mortgages. (7)

multinational corporations (MNCs) corporations that have services in at least two countries. (5)

multiplier effect of a government stimulus infusion. On average, the short-run multiplier for the U.S. economy is around 1.5. If the government spends a billion dollars now, GDP this year will go up by $1.5 billion. (8)

nationalization the government completely takes over a private enterprise. (8)

natural monopoly exists when the minimum size to guarantee maximum economic efficiency is equal to the actual size of the market. (3)

neoliberalism modern politico-economic theory favoring free trade, privatization, minimal government intervention in business, and reduced public expenditure on social services, etc. (1)

nonprofit sector (quaternary) an organization that uses surplus revenues to achieve its goals rather than distributing them as profit or dividends. (7)

North American Free Trade Agreement (NAFTA) signed into law on January 1, 1994 by President Bill Clinton. Created a free trade bloc between the U.S., Canada, and Mexico, with the goal of eliminating tariffs and regulations on investments. (3)

notional value total value of a leveraged position's assets. (7)

open field system peasants farmed large tracks of land for elite landlords. They produced food for their own subsistence needs, and paid a required amount of the surplus as tribute to the landowner. (2,3)

Organization for Economic Cooperation and Development (OECD) formed in 1961, formalized the economic bond of core democratic countries. The system brought economic growth, low unemployment, and stable prices. (2)

OPEC (Organization of Oil Producing Countries) in 1961 the major oil producing nations – Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela – formed a cartel to regulate the price of oil and production. (2)

originate and distribute investment banks bought pools of home mortgages from originators, put into bonds and then sold to investors. (7)

originate and hold the bank would lend money to a homeowner, then collect payments on the principal and interest. The bank that originated the mortgage held the mortgage. (7)

outsourcing contracting out a business function to an external provider, usually to a low-wage country. (6)

overcapacity or overproduction means there is a tendency for capitalist economies to build up tremendous productive capacity to produce goods and services that outruns the population's capacity to consume. (2)

overdetermined a term that has multiple meanings depending upon one's particular perspective. (1)

overshoot humans are taking more resources from the planet than can be replaced by natural processes in a year. (6)

participatory democracy attempts to check the abuses of elite democracy and corporate economic and political power with oversight of the whole process. (4)

periphery areas drawn into a dependent relationship with the core regions; commercial wealth is extracted from the periphery in the form of cheap raw materials produced with cheap labor – or, more recently, manufactured goods produced with cheap labor. The wealth is siphoned to core areas where it is concentrated or generates more wealth. (1)

Plaza Accord in 1985, the U.S. directed Japan to raise the value of the yen against the dollar to offset its huge trade imbalance with the Japanese. (8)

poverty state of being poor, not having enough money to take care of basic needs such as food, clothing, and housing. (6)

predatory lending mortgage lenders were doing everything they could to sign up borrowers for subprime mortgages. (7)

primary industries (sector) wealth creation that includes mining, agriculture, forestry, trapping animals, and fishing – changed natural resources into primary products. (1)

private sector businesses owned by individuals or corporations. (3)

privatization the sale of state-owned enterprises, goods and services to private investors. Transfer of assets or service delivery from the government to the private sector. (3)

progressive tax rates increase as the taxable base amount increases, which means those who have a higher income pay more of their total income in taxes. Federal income taxes are progressive. (4)

proprietary trading when a firm trades various financial instruments with the firm's own money as opposed to its customers' money, so as to make a profit for itself. (8)

public sector where ownership is collectively held by the government for the people. (3)

quantitative easing used by Central Banks (the Fed) when interest rates are at or very near zero, and cannot be lowered any further. The Fed may purchase a number of bonds or other assets from financial institutions, money is pumped into the economy. The goal is to increase the money supply rather than to decrease the interest rate, which is already around 0 percent, often considered a "last resort" to stimulate the economy. (8)

quaternary sector of the economy is informational and intellectual activities, which include government, libraries, culture, scientific research and development, education, consultation, and information technology. (7)

reaction a movement that favors extreme conservatism or right wing political views. They oppose political, economic, or social change or reforms and are considered to be at one end of a political spectrum. (8)

rebuild developing an alternative economic structure that takes into consideration the environment, social and economic justice, and human well-being. (8)

reform change into an improved form or condition. Not radical change, reform may be no more than redressing serious wrongs without altering the fundamentals of the system. (8)

regressive tax rates decrease as amount subject to taxation increases, those who have a higher income pay less of their total income on taxed items. Social security and Medicare (FICA) taxes are regressive. (4)

reinforcing feedback changes in the whole system feed back to amplify the original change. Change goes through the system, producing more change in the same direction as the initial change. It drives a system in the way it is going. Also called positive feedback. (1)

revolution an overthrow or repudiation and thorough replacement of an established government or political system by the people governed. (8)

Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 overturned the Bank Holding Act of 1956 and allowed interstate mergers between adequately capitalized and managed banks. (3)

Santa Clara County v. Southern Pacific Railroad 1886, the Supreme court's reporter sympathetic to the railroad barons, secretly inserted into the Court Reporter's headnotes the ruling that the railroad corporations were persons in the same category as humans. It stood in subsequent cases. (3)

secondary industries (sector) manufacturing and construction – process raw materials into manufactured goods. (1)

Securities Exchange Act of 1934, part of the New Deal reforms in the U.S., a law regulating the trading of stocks and bonds. (3)

securitization illiquid assets – not easily or quickly converted into money, like mortgages – could be pooled into bonds and made into liquid assets – easily and quickly converted into money – that were tradable on the open market. (7)

self-reliance trust in one's own capabilities, judgment, or resources; independence, reliance on one's own efforts and abilities. It is the opposite of dependence. (4)

service industries serving the customer rather than transforming physical goods. Includes retail, police, government, insurance, tourism, banking, education, public utilities, entertainment, legal, medical, accounting, finance, etc. (1)

services intangible goods provided to businesses and final consumers. (1)

shadow banks organizations that lend money to people like traditional banks, which comes from depositors, while in shadow banks money comes from investors, they are not regulated by the government. (7)

sixth extinction alarming extinction of species, it follows five previous known extinctions in the Ordovician, Devonian, Permian, Triassic and Cretaceous periods. (6)

slums densely populated, squalid, sections of the cities inhabited by poor people, worldwide, approximately 1 billion people live in slums. (6)

Smith, Adam (1723-1790), Englishman, wrote *The Wealth of Nations* in 1776, he opposed mercantilism and instead argued that a free market or free trade economy was better. (2)

social democracy alternative to laissez faire capitalism in Western democracies during the 1930s, where workers and farmers demanded and got economic planning, social security, and labor rights. (2)

social enterprises organizations applying commercial strategies to maximize improvements in human and environmental well-being, rather than maximizing profits for external shareholders. (8)

social gap individuals do not have equal access to governmental social programs. Includes voting rights, freedom of speech and assembly, security, quality education, health care, and other social protections. (6)

socialism collective or governmental ownership and administration of the means of production and distribution of goods and services. (1)

socioeconomic gap combining two concepts into one: the social gap and economic gap. (6)

sovereign wealth funds state-owned investment funds composed of financial assets and invest globally. (1)

specialization individuals and organizations focus on the limited range of production tasks and skills they perform best. Workers give up performing other tasks they are not as skilled, leaving those jobs to others. (5)

spreads difference in what interest is paid depositors and the interest banks charge borrowers for loans. (7)

stagflation combination of low economic growth and high unemployment ("stagnation") with high rates of high inflation, occurred in the 1970s. (2)

state capitalism the state plays the role of leading economic actor and uses markets primarily for political gain. Public wealth, public investment and public enterprise offer the surest path toward economic development. (1)

stimulus government spending to counter economic stagnation and/or recession. (8)

Structural Adjust Policy (SAPs) the IMF issues emergency loan packages tied to certain conditions such as how much debtor countries can spend on education, health care, and environmental protection and they must open their markets to outside investment and development. (5)

structural unemployment a mismatch between workers' skills and the skills employers are seeking. (4)

Stolper-Samuelson theorem effect of trade between a core and a periphery nation, the wages for unskilled labor force in core nation is lower because of global competition with the unskilled workers in a periphery nation. (5)

suprime mortgage a new market of riskier but more profitable home loans to less creditworthy borrowers. (7)

subsidy form of financial assistance paid to a business or particular economic sector. (4)

supply and demand relation between these two factors determines the price of a commodity, thought to be the driving force in a free market. As demand for an item increases, prices rise. (2)

supply side economics emphasizes the importance of tax cuts and business supports to encourage economic growth, with the belief they will use their tax savings to create new businesses and expand old businesses. (3)

synthetic CDO complex financial security used to speculate that an obligation will not be paid. Negotiated between counterparties that have different viewpoints about what will happen to the underlying security. (7)

synthetic CDS collateralized debt obligation (CDO), invests in credit default swaps (CDSs) or other assets. (7)

system something that maintains its existence and functions as a whole through the interaction of its parts. (1)

systems thinking a way of thinking in which the whole system is understood and recognized as interconnected, reoccurring patterns in the system and the interrelationships of these patterns are recognized. (1)

tariffs duties or customs imposed by government on exports or imports. (2, 3)

Telecommunications Act 1996, passed under President Clinton, amended the Communications Act of 1934, deregulated the broadcasting market, media cross-ownership was now allowed. (3)

tertiary sector the service industry. (7)

trade deficit when a country imports more than it exports, it accumulates a trade deficit. (2)

Trade-Related Aspects of Intellectual Property Rights (TRIPS) introduced intellectual property law into the international trading system for the first time, under the purview of the WTO that sets minimum standards. (5)

transformative worldview alternative to prevailing notions of cultural uniformity, corporate dominance, consumer-driven values, unchecked individualism, concentration of wealth and power, and environmental destruction. (1)

transparency another word for information. (7)

Treaty of Detroit 1950s, understanding between capital and labor, employers accepted that compensation would grow as productivity increased, continued until the crisis of the 1970s when labor compensation exceeded productivity. (4)

Triangle Trade 18th century, trade between Africa, Europe, and the Americas. European ships carried guns, knives, metal ware, manufactured items, beads, colored cloth, and liquor to the West African coast to be exchanged with African slaves, who were shipped to the Americas and exchanged for raw materials, such as sugar, tobacco, furs, precious metals, and raw cotton that were transported to Europe to be made into finished goods that started the trading network again. (2)

Troubled Asset Relief Program (**TARP**) a $700 billion government program to purchase assets and equity from financial institutions in the fall of 2008 with the intended purpose to strengthen the financial sector. (8)

tulip mania first financial crisis or speculative bubble in modern history, occurred in 17th century Netherlands. (8)

underwater meaning the value of homes has fallen so much it is now below the value of their original mortgage. (4)

Volcker, Paul Chairman of the Federal Reserve (1979-1987), he pushed short-term interest rates up to above 20%, stayed at these high levels for almost three years in order to break inflation. (2)

Volcker Rule named after former Fed chair Paul Volcker, it would prevent federally insured banks from engaging in speculation such as in proprietary trading when customers' deposits are used to trade on the bank's own accounts to make a profit for itself. (8)

Wall Street located in the financial district of lower Manhattan in New York City. A collective phrase to refer to the financial sector of the economy, the phantom economy, opposite of Main Street considered to be the real economy. (7)

Washington Consensus named for the three institutions that shaped global neoliberal policies, all located in downtown Washington D.C.: IMF, World Bank, and the U.S. Treasury. (5)

welfare capitalism 1930s, corporations in Western social democracies backed economic, social, and labor reforms. (2)

well-being a kind of contentment, happiness, or a state of life-satisfaction. (6)

Western ideas, often called liberalism, emerged during Enlightenment era or added later and partially include a representative government, individual rights and freedoms (speech and press), private property, scientific method, reason, individualism, freedom of religion or secularism, and later women's and gay rights. (1)

Western U.S. Energy Crisis of 2000 and 2001, in which California had a shortage of electricity caused by market manipulations and illegal shutdowns of pipelines by primarily the Enron corporation. (3)

white man's burden satirized by Rudyard Kipling's poem of the same name, this philosophy placed responsibility on Christians and Europeans to "civilize" those considered unfortunate enough to be non-Western. (2)

worker ownership where workers have an equal equity stake in the company they are working for; they share common goals and adhere to common principles. (8)

World Bank provides loans to developing countries for capital programs with the stated goal of reducing poverty. (5)

World Trade Organization (WTO) deals with regulation of trade between participating countries; it provides a framework for negotiating and formalizing trade agreements, and a dispute resolution process. (5)

worldview an overall perspective from which one sees and interprets the world, a set of simplifying suppositions about how the world works and what is seen and not seen. It is an internal collection of assumptions, held by an individual or a group that are firmly believed to be self-evident truths. (1)