

# Module 9: Economics

## Topic 2 Content: Market Regulation

### Introduction



**Demi Tracy:** The U.S. government regulates the market for many reasons. It may be to protect consumers from harmful products or to regulate pollution to protect the environment. Cain S. Hayek is here to discuss some of the major examples of government regulation in the marketplace.

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**Market Regulations**



**Cain S. Hayek:** Like most modern nations, the United States operates with a mixed economy. America's mixed economy heavily emphasizes the free market aspect, but it does have some characteristics of a command economy. This is because many aspects of the market are subject to a degree of regulation. Let's take a look at some of the ways the market is regulated by the U.S. government.

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**Consumer Safety**

## Consumer Safety

Consumer Product Safety Commission (CPSC)	Food and Drug Administration (FDA)
	
<ul style="list-style-type: none"><li>• Focused on the safety of various consumer goods</li><li>• Regulates most products that are not food, drugs, or cosmetics</li></ul>	<ul style="list-style-type: none"><li>• Monitors the safety of food, cosmetics, prescription medications, over-the-counter medications, and medical devices</li></ul>

**Cain S. Hayek:** In a purely laissez-faire economic system, the government would not regulate the market at all, leaving consumers to fend for themselves against large businesses. Unsafe, fraudulent, and deceptive business practices could continue with impunity. In order to protect consumers from these types of practices, government agencies like the Consumer Product Safety Commission (CPSC) and the Food and Drug Administration (FDA) regulate consumer products.

The CPSC is an independent agency focused on the safety of various types of consumer products. It regulates everything from toys and cribs to power tools and household chemicals; however, it does not ensure the safety of food, drugs, or cosmetics. The FDA has the responsibility of monitoring the safety of food, cosmetics, prescription medications, over-the-counter medications, and medical devices.

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**Environmental Regulations**

## **Environmental Regulations**



### **Environmental Protection Agency (EPA)**

- Protects human health and the environment
- Enforces legislation dealing with pollution and hazardous materials
- Fines companies that violate regulations
- Federal government offers subsidies to reduce pollution

**Cain S. Hayek:** The Environmental Protection Agency (EPA) protects human health and the environment by enforcing legislation dealing with pollution and hazardous materials. Any company caught violating environmental regulations is subject to fines. The federal government also reinforces environmentally-friendly production practices by subsidizing different companies' efforts to reduce pollution.

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#### Labor Regulations

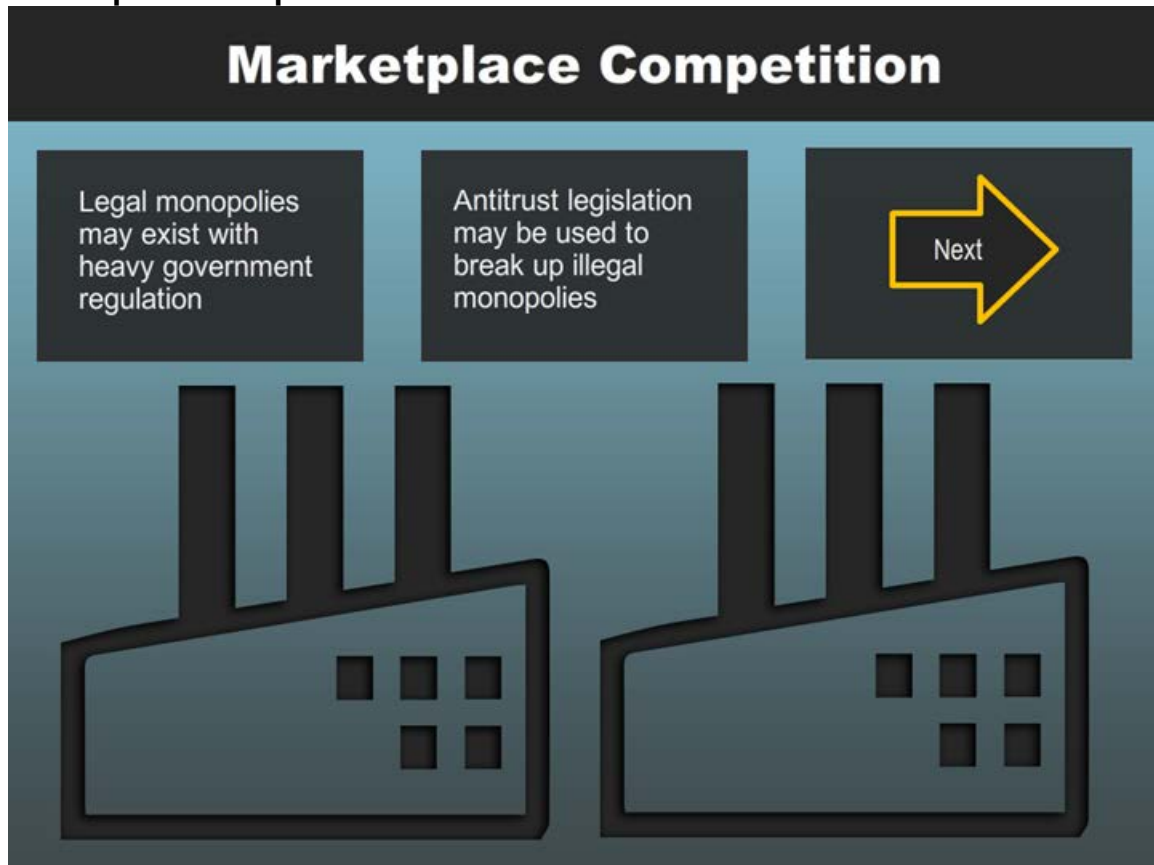


**Cain S. Hayek:** Labor regulations are in place to protect the rights and ensure the safety of workers. These regulations protect workers from unscrupulous business practices, like forcing employees to work overtime without pay. There are labor laws that state what constitutes a safe working environment, laws that say how many hours a person can work, and laws that say how old a person must be to work. The Department of Labor is responsible for enforcing laws that regulate labor, which it does through agencies like the Occupational Safety and Hazards Administration, or OSHA. The federal government can also intervene in any dispute between businesses and unions over labor-management relations.

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#### Marketplace Competition



**Cain S. Hayek:** A free market economy is based on the idea that competition benefits both businesses and consumers, but what happens when one company eliminates all of its competitors and takes control of an entire industry? This is known as a monopoly, and according to antitrust legislation, some are considered legal and some are considered illegal. A legal monopoly is allowed to exist with heavy government regulation, to make sure it does not take advantage of its position and overcharge the public for goods and services. If the government determines that a monopoly is illegal, it may use antitrust legislation to break the monopoly into different companies in an attempt to create a competitive environment.

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**Ending of Episode**



**Demi Tracy:** Thank you for that informative segment, Cain. Until next time, I'm Demi Tracy, and this is Glover Mint, signing off.