

**KOFA HIGH SCHOOL SOCIAL SCIENCES DEPARTMENT
ECONOMICS**

VIDEO STUDY GUIDE # 8 - ECONOMIC EFFICIENCY



TERMS THAT YOU MAY NEED INFORMATION ON :

- 1. INFLATION - A STEADY RISE IN PRICES**
- 2. RATIONING - DIVIDING UP GOODS AND SERVICES USING SOME OTHER CRITERIA OTHER THAN PRICE**
- 3. RENT CONTROLS - PLACING LIMITS ON THE AMOUNT A RENT CAN BE INCREASED EACH TIME A NEW TENANT SIGNS A LEASE**

**** STORY # 1 > PRESIDENT KENNEDY'S AND JOHNSON'S SOCIAL PROGRAMS (THE GREAT SOCIETY) AND THE VIETNAM WAR HAD CAUSED INFLATION TO RISE (ALTHOUGH IT WAS UP ONLY 4%, THAT WAS ENORMOUS FOR 1960 STANDARDS) > THERE WAS GREAT DEBATE OVER WHAT SHOULD BE DONE, PUT IN PLACE PRICE AND WAGE CONTROLS ? THIS STORY QUESTIONS WHY SHOULD WE TINKER WITH INTERVENTION WHEN THE FREE MARKET WORKS SO WELL AND WILL CORRECT THINGS :**

WHAT WAS THE MAIN ECONOMIC CONCERN DURING THE FIRST NIXON ADMINISTRATION ?

WHAT ACTION DID NIXON TAKE TO CONTROL THINGS ?

A DROUGHT CAUSED A SUPPLY SHORTAGE IN CATTLE FEED AND CAUSED THE PRICE OF THE FEED TO SKYROCKET. WITH PRICE CONTROLS ON THE PRICE OF BEEF, THE COST OF THE FEED MADE THE BEEF SUPPLIERS UNPROFITABLE. WHAT DID THEY DO AND CAUSE ?

WHAT HAPPENED WHEN THE BEEF SUPPLIERS RE-ENTERED THE MARKET ?

WHAT DID THE NIXON PRICE CONTROLS CAUSE ?

DID THE NIXON PRICE CONTROLS WORK ?

***** STORY # 2 > WORLD WAR II PRICE CONTROLS > PRESIDENT ROOSEVELT WAS DETERMINED TO AVIOD THE INFLATION PROBLEMS THAT RESULTED FROM A BOOMING ECONOMY THAT SUPPLIED THE WORLD DURING WORLD WAR I > HERE WE STUDY WHY DID PRICE CONTROLS WORKED :***

WHAT TWO IMPORTANT DECISIONS WERE MADE BY ROOSEVELT AND GALBRAITH THAT HELPED MAKE THE CONTROLS WORK ? SEE THE HINTS BELOW :

- 1. WHAT DID THEY MAKE SURE BUSINESS OWNERS GOT ?***

- 2. IN RETURN FOR THE ASSURANCES MENTIONED ABOVE , WHAT 2 THINGS DID THE GOVERNMENT REQUIRE THE BUSINESSES TO DO ?***
 - 1.***

 - 2.***

WHAT ACTION , IN ADDITION TO PRICE CONTROLS , DID THE GOVERNMENT TAKE REGARDING THE DISTRIBUTION OF GOODS AND SERVICES ?

WHAT DID MR. GILL SAY AS TO WHY THE PRICE CONTROLS WERE SUCCESSFUL DURING WORLD WAR II ?

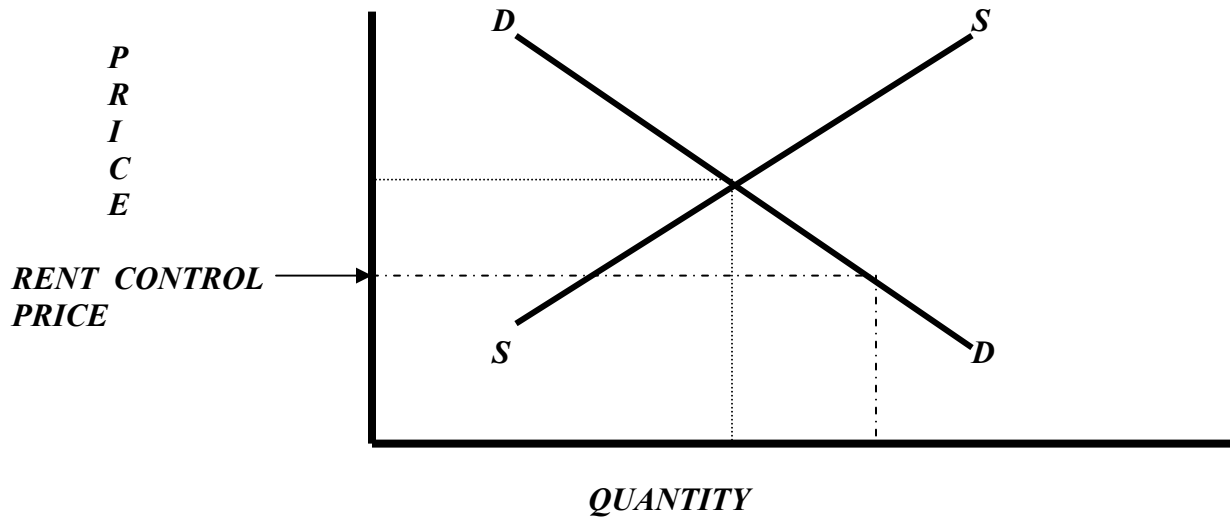
***** STORY # 3 > RENT CONTROL IS A NOBLE SOCIAL IDEA , BUT IT DOESN'T WORK IN A FREE MARKET ECONOMY > IT HAS BEEN SAID , “ NEXT TO WIDESPREAD HEAVY BOMBING , THE FASTEST WAY TO DESTROY A CITY IS TO PUT RENT CONTROLS IN PLACE ” !!!***

WHY DID NEW YORK CITY PUT RENT CONTROLS IN PLACE ?

WHAT DID THE RENT CONTROLS FIRST CAUSE LANDLORDS TO DO ?

WHAT DID THE RENT CONTROLS EVENTUALLY CAUSE THE LANDLORDS TO DO ?

MR. GILL'S CHART ILLUSTRATES HIS QUOTE (FILL IN THE BLANK)



“ALMOST ALL INTERFERENCES WITH THE MARKET SYSTEM DO HAVE THEIR OWN _____ ”