

LIGHTHOUSE CPA SOCIAL SCIENCES DEPARTMENT

ECONOMICS

VIDEO STUDY GUIDE > COMMANDING HEIGHTS – THE BATTLE FOR THE WORLD ECONOMY - PART 1 - THE CLASH OF IDEAS



KEY PLAYERS AND DEFINITIONS THAT YOU MAY NOT BE FAMILIAR WITH

1. **JOHN MAYNARD KEYNES - BRITISH ECONOMIST AND FATHER OF THE STUDY OF MACROECONOMICS AND ADVOCATE OF MIXED ECONOMY SYSTEMS / MANY CONSIDER HIS ECONOMIC PHILOSOPHIES TO BE CLOSELY TIED TO “LIBERAL ” (BIG GOVERNMENT) SOCIAL, POLITICAL, AND GOVERNMENTAL PHILOSOPHIES**
2. **FRIEDRICH HAYEK - AUSTRIAN ECONOMIST, NOBEL PRIZE WINNER, STRONG CLASSICAL (FREE MARKET) DISCIPLE OF ADAM SMITH AND ANTAGONIST CONTEMPORARY OF KEYNES / MANY CONSIDER HIS ECONOMIC PHILOSOPHIES TO BE CLOSELY TIED TO “CONSERVATIVE ” (SMALL GOVERNMENT) SOCIAL, POLITICAL, AND GOVERNMENTAL PHILOSOPHIES**
3. **MILTON FRIEDMAN - AMERICAN ECONOMIST, NOBEL PRIZE WINNER, STRONG CLASSICAL (FREE MARKET) DISCIPLE OF ADAM SMITH AND SUPPORTER OF HAYEK, BUILT THE FAMOUS BUSINESS AND ECONOMICS GRADUATE SCHOOL AT THE UNIVERSITY OF CHICAGO**
4. **MARGARET THATCHER - CONSERVATIVE PRIME MINISTER OF GREAT BRITAIN, GREAT DISCIPLE OF FRIEDRICH HAYEK, POLITICAL SOUL MATE OF PRESIDENT RONALD REAGAN**
5. **PAUL VOLKER - CONSERVATIVE FREE MARKET ECONOMIST, AND HAYEK SUPPORTER WHO BECAME CHAIRMAN OF THE FEDERAL RESERVE BANK AND HELPED PRESIDENT REAGAN MOVE THE UNITED STATES OFF KEYNESIAN ECONOMIC PHILOSOPHY**

THE CLASH OF IDEAS

***** PRE - WORLD WAR I**

WHAT CREATED THE FIRST “GLOBAL ECONOMY ” ?

WHAT KILLED THE FIRST “GLOBAL ECONOMY “ ?

**** POST - WORLD WAR I*

WHAT NEW COMBINED SOCIAL AND ECONOMIC PHILOSOPHY PROMISED GREAT THINGS AND BECAME POPULAR OUT OF THE GLOBAL MISERY CREATED BY WORLD WAR I ? BY THE 1960 s OVER 1 / 3 OF THE WORLD'S POPULATION LIVE UNDER THIS PHILOSOPHY

KEYNES WAS AN IMPORTANT ADVISOR TO THE ALLIED LEADERS DURING THE TREATY OF VERSAILLES PEACE NEGOTIATION PROCESS, HOWEVER HE BECAME ANGRY AND DISGUSTED AND THEN RESIGNED OVER WHAT ISSUE ? (HINT - IT MAY HAVE BEEN THE BIGGEST POINT OF REVENGE FOR HITLER AND ONE OF THE REASONS WHY HE WAS ABLE TO RISE TO POWER)

FRIEDRICH HAYEK'S VOICE IS BEING DROWNED OUT. HE WAS CLAIMING TWO THINGS - WHAT WERE THEY ?

- 1. “ _____ WORK , _____ DO NOT ”*
- 2. “ _____ ARE AT THE HEART OF WHAT MAKES THE
 MARKETS WORK ”*

WHAT CAUSED HYPERINFLATION TO HIT GERMANY ?

**** 1930 s AND EARLY 1940 s - THE GREAT DEPRESSION AND WORLD WAR II WITH THE GREAT DEPRESSION , AND THE RISE OF COMMUNISM , WHAT WAS BEGINNING TO LOOK DOOMED ? (HINT - IT IS AN ECONOMIC SYSTEM)*

KEYNES REWROTE THE RULES OF ECONOMICS AND CREATED THE STUDY OF WHAT ?

WHAT DID PRESIDENT ROOSEVELT BEGIN TO BELIEVE ABOUT ECONOMIC SYSTEMS ?

KEYNES SAID THAT “ _____ SHOULD SPEND AGAINST THE WIND ” WHAT DID THIS MEAN ?

WHAT EVENT FINALLY MADE KEYNESIAN ECONOMIC PHILOSOPHY ACCEPTED ?

**** 1945 - POST WORLD WAR II*

AT THE BRETTON WOODS CONFERENCE , THE CREATION OF THE WORLD BANK AND INTERNATIONAL MONETARY FUND WERE CONSIDERED VICTORIES FOR WHO ?

ATLEE BEATS OUT CHURCHILL IN THE ELECTION FOR PRIME MINISTER IN GREAT BRITAIN. GREAT BRITAIN NOW TURNS TO WHAT TYPE OF ECONOMIC SYSTEM ?

**** 1947 - POST WORLD WAR II*

HAYEK FEARING WHAT IS HAPPENING WORLD WIDE, HOLDS FREE MARKET CONFERENCE IN SWITZERLAND - TWO FAMOUS QUOTES FROM HIM :

- 1. FREE MARKET SYSTEMS REQUIRE / DEMAND _____ (TYPE OF GOVERNMENTAL SYSTEM)*
- 2. THE GREAT STRENGTH OF THE SOCIALISTS IS THAT THEY ARE _____*

GERMANY'S ECONOMY WAS DESTROYED BY THE WAR . BASED ON TRUE

KEYNESIAN PHILOSOPHY, WHAT 2 GOVERNMENT CONTROLS DID THE ALLIES PUT IN PLACE TO IN AN EFFORT TO FIX THINGS ?

WHAT DID THE GOVERNMENT CONTROLS, THAT THE ALLIES PUT IN PLACE, CREATE ?

UNKNOWN TO THE ALLIES, ERHARDT, THE GERMAN ADMINISTRATOR PUT IN PLACE BY THE ALLIES WAS A DISCIPLE OF HAYEK !! WHAT SURPRISING MOVE DID ERHARDT MAKE SHORTLY AFTER BEING APPOINTED ?

WAS ERHARDT'S POLICIES A SUCCESS ? WHAT HAPPENED TO THE GERMAN ECONOMY ? DID OTHER COUNTRIES MODEL IT, WHY ?

UPON GAINING THEIR INDEPENDENCE FROM GREAT BRITIAN, WHAT ECONOMIC SYSTEM DID INDIA PUT IN PLACE UNDER PRIME MINISTER NEHRU ?

**** 1950 - THE CREATION OF THE CHICAGO SCHOOL*

DESPITE THE GLOBAL PREFERENCE FOR KEYNESIAN PHILOSOPHY, HOW MANY OF THE ECONOMISTS THAT TAUGHT AT THE UNIVERSITY OF CHICAGO WOUND UP EARNING A NOBEL PRIZE ?

MILTON FRIEDMAN WAS THE “DEAN ” OF THE CHICAGO SCHOOL. WHAT DID HE BELIEVE IN ?

**** THE 1970 's - THE BEGINNING OF GLOBAL ECONOMIC CHANGE AND THE WEAKNESS OF KEYNESIAN PHILOSOPHY BEGIN TO APPEAR*

WHAT 2 PROBLEMS WERE MANY COUNTRIES (THE UNITED STATES AND GREAT BRITAIN IN PARTICULAR), RUNNING UNDER KEYNESIAN PHILOSOPHY, EXPERIENCING AS THEY ENTERED THE 1970 s ?

PRESIDENT NIXON, ALTHOUGH A CONSERVATIVE, MAKES THE SAME MISTAKE AS THE ALLIES DID IN GERMANY BY IMPOSING WHAT 2 THINGS TO FIX PROBLEMS IN THE UNITED STATES ? DID HIS ECONOMIC ADVISORS AGREE WITH IT ?

WHY DID NIXON MAKE THIS DECISION (ITS AN OLD “ COMES WITH THE JOB ” PROBLEM FACED BY ECONOMISTS) ?

WHAT PROBLEMS DID NIXON'S POLICIES CAUSE ?

MEANWHILE IN GREAT BRITAIN HIGH INFLATION AND UNEMPLOYMENT IS CAUSING _____. THE BRITISH TRY TO SOLVE THIS BY USING _____ AND _____ CONTROLS

PRIME MINISTER SIR KEITH JOSEPH BEGINS TO “ SEE THE LIGHT ” AND TURNS TO HAYEK , HOWEVER WHO BECOMES THE BIGGEST FOLLOWER ?

LONG OVER DUE, BUT BETTER LATE THAN NEVER , WHO IS RECOGNIZED WITH A NOBEL PRIZE IN 1974 ?

THE TURN TO FREE MARKETS BEGINS SLOWLY AIRLINE DEREGULATION
BEGINS IN THE UNITED STATES WITH THE CLOSING OF THE CIVIL AERONAUTICS
BOARD. THIS CREATES SOME SHORT TERM HARDSHIPS , BUT THEN COMES THE

EXPLOSION THAT SETS THE STAGE FOR DEREGUALTION OF MOST OF THE
UNITED STATES ECONOMY :

AS A RESULT OF THE DEREGULATION , THE AMOUNT PEOPLE THAT BEGIN
TO FLY AND THE AMOUNT OF FLIGHTS OFFERED _____

DESPITE SOME MOVES TOWARD DEREGULATION , KEYNESIAN METHODS WERE
STILL IN PLACE AND PRESIDENT CARTER RESISTED CHANGES. THIS ALL CHANGED
WITH THE APPOINTMENT OF PAUL VOLKER TO CHAIR THE FEDERAL RESERVE .
VOLKER WAS A HAYEK DISCIPLE AND BELIEVED THAT _____
WAS THE WORST EVIL

VOLKER WENT RIGHT TO WORK AND _____ THE _____

WHO WAS THE POLITICAN THAT WAS A DISCIPLE OF HAYEK AND FRIEDMAN AND
BECAME THE “ MOUTHPIECE / SPOKESPERSON ” ?

REAGAN AND VOLKER BELIEVED THAT A RECESSION WAS NECESSARY TO FIX
THINGS . DURING THAT TIME UNEMPLOYMENT REACHED _____ % AND
IT TOOK _____ YEARS TO KILL OFF THE INFLATION

WHAT WERE THE 4 KEY COMPONENTS OF “ REAGANOMICS ” ?

- 1.*
- 2.*
- 3.*
- 4.*

THE REAGAN TAX CUTS LED TO _____ BUT GREAT _____

*MEANWHILE IN GREAT BRITAIN MARGARET THATCHER IS BATTLING THE
COAL MINERS IN THE UNPROFITABLE COAL INDUSTRY. THIS IS AN EPIC CLASH OF
VALUES > _____ VS. _____*

TODAY LESS THAN _____ WORK IN ENGLAND'S COAL MINES

*THATCHER MOVES TO PUT “ THE COMMANDING HEIGHTS ” OF BRITAIN'S
ECONOMY IN THE HANDS OF THE FREE MARKETS. SHE PUTS _____
OF THE STATE RUN INDUSTRIES UP FOR SALE TO PRIVATE INVESTORS .*