

## Study Questions

### *The Global Economy: Connecting the Roots of a Holistic System*

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## Chapter 2. Historical Roots of the Global Economy

### Quote

1. Explain the quote by Julia Whitty, a writer and filmmaker: "Written into the long history of our planet, in one form or another, is the record of what is coming our way."

### Section 2.1. The Western European Economy Prior to 1500

Terms to Consider:

guild  
just price  
cottage industries  
unfavorable balance of trade

Questions to Consider:

#### 1. Western European Economy Prior to 1500

- In what way did the ancient Phoenicians, Greeks, Romans have a market economy? Would you call this capitalism?
- Describe the economy in Western Europe after the collapse of the Roman Empire around 500 CE (Common Era).
- How did the economy fit into the rest of Western European society? (think holistic here)

#### 2. Guilds

- In what ways did the guilds **not** follow capitalist principles?
- Would the use of just price work in a capitalist economy? Explain.

#### 3. Cottage Industries

- In what ways did the cottage industries follow capitalist principles?
- Why did guilds start in the countryside instead of the city?

#### 4. Balance of Trade

- In what ways did Europe's unfavorable balance of trade with Asia verge on an economic crisis by 1400?
- What did Europeans do about their unfavorable balance of trade with Asia?

### Section 2.2. Commercial Capitalism in the Early Modern Era (1500-1750)

Terms to Consider:

mercantilism  
colonialism  
Potosi  
open field system  
enclosure  
commons  
Triangle Trade

slavery  
 Middle Passage  
 fur trade  
 joint stock companies  
 British East India Company  
 Dutch Republic

Questions to Consider:

1. Mercantilism

- a. What was mercantilism?
- b. Explain the idea that it was one dimension of capitalism.
- c. In what ways did mercantilism depend upon colonialism?
- d. What goods did the periphery colonies provide for their core colonial masters?

2. Potosi

- a. How did the start of capitalism affect the city of Potosi? Explain.
- b. Describe conditions of the workers who mined the mountain of silver.

3. Agrarian Changes

- a. In what ways did agrarian changes spur the growth of commercial capitalism?
- b. How did the enclosure process change farming from domestic production to production according to capitalist principles?
- c. What were the commons?
- d. How did the commons change with the enclosure process?

3. Trade

- a. What was the Triangle Trade?
- b. How did it operate according to capitalist principles?
- c. How did slavery change with the expansion of capitalism?
- d. How did the fur trade in North America operate according to capitalist principles?
- e. Why did joint stock companies form?
- f. How did the British East India Company operate according to capitalist principles?

4. Core Areas of Commercial Capitalism

- a. What happened to Spain as a core nation in the late 16<sup>th</sup> century?
- b. What was the basic reason for the decline of the Dutch free-trade system in the 1720s and 1730s?
- c. In what ways did the problems in the Dutch economy in the 1700s mirror the problems in the U.S. economy today?
- d. What similar problems did Spain and the Netherlands face as they declined from their core status?

**Section 2.3 Industrial Capitalism in the Modern Era (1750-1914)**

Terms to Consider:

industrialization  
 Industrial Revolution  
 primary industries  
 secondary industries  
 capital accumulation  
 tariff

cotton  
 factories  
 wage  
 mass production  
 Adam Smith  
 supply and demand  
 laissez-faire  
 Corn Laws  
 infant industry  
 corporation  
 entrepreneur  
 labor  
 gold standard  
 trade deficit  
 Long Depression  
 imperialism  
 white man's burden  
 cash crops  
 specialization

Questions to Consider:

1. Industrialization

- a. What is industrialization?
- b. What is the Industrial Revolution?
- c. What sweeping changes were ushered in with the Industrial Revolution?

2. Early Industrialization in Britain

- a. What role did tariffs play in Britain's industrialization?
- b. How was slavery in the American South connected to industrialization in Britain?
- c. What effect did the growth of factories have on the economy and on the factory workers?
- d. Compare the effects of industrialization on the workers in guilds and factories. Which way of production won out in the end? Why?

3. Adam Smith and Free Trade Capitalism

- a. How were Adam Smith's ideas about capitalism different from the prevailing views of mercantilism?
- b. What is the law of supply and demand? Why is it a core principle of capitalism?
- c. What does Smith mean by the "invisible hand" of the marketplace? Is it really invisible?
- d. What is laissez-faire capitalism?
- e. Why did British industrialists support free trade capitalism in the 1820s? How did it benefit them?

4. Corn Laws

- a. Why did opponents of mercantilism in Britain want to repeal the Corn Laws?
- b. Why did British farmers want to keep the Corn Laws?
- c. Why were the Corn Laws repealed?
- d. What was the significance of the repeal of the Corn Laws?

5. Tariffs and Protectionism

- a. Why were British industrialists eager to promote a laissez-faire form of capitalism in the 19<sup>th</sup> century?

- b. Why did British industrialists want other countries to remove tariffs?
- c. Why did the U.S. support tariffs and protectionism in the 1800s?
- d. What were the benefits of the above policy? What were the drawbacks?
- e. Why have Britain, the U.S., and most other industrializing countries used infant industry promotion policies in the early stages of industrialization?
- f. What does economist Ha-Joon Chang mean when he says “kicking away the ladder?”

#### 6. Corporations

- a. Why did corporations expand in the modern industrial era?
- b. How did a national banking system help the growth of capitalism?
- c. Why were entrepreneurs instrumental in the growth of capitalism?
- d. What kinds of behavior were necessary for entrepreneurs to succeed?
- e. What effect did greater productivity have in the capitalist system?
- f. What goods were produced in the modern industrial era?

#### 7. Labor

- a. Who worked in the industrial factories?
- b. Why was there an “abundance” of labor during this era?
- c. Who was “left behind” in the rush to industrialization?
- d. Explain the following statement: “Early industrialization was built upon the backs of exploited cheap labor and the poor.” Do you agree?
- e. Why did labor unions form?
- f. What did business owners do to counter the demands by labor unions?
- g. Why did British labor unions and the socialist party support free trade?
- h. Why was there mass migration from Europe to other areas of the world during the modern industrial era?
- i. What problems did labor face during this time?

#### 8. The Gold Standard

- a. What was the gold standard?
- b. Explain the following statement: “Countries on gold were committed to making their national economy fit the currency.” Who benefitted from this strategy? Who did not?
- c. Why were wages “pushed down” to make the gold standard work?
- d. What did the workers have to say about their wages being “pushed down” in this way?

#### 9. The Long Depression (1873-1896)

- a. Why was there a Long Depression starting in 1873 and lasting until 1896?
- b. Why did free silver and gold stalwarts battle each other over the direction of the U.S. economy?
- c. Who were the winners in this battle? Who were the losers?
- d. Why did new gold discoveries in 1896 end the Long Depression?
- e. What problem with global capitalism and its drive for perpetual growth was revealed in the Long Depression?

#### 10. Imperialism

- a. What is imperialism?
- b. Why was it called neoimperialism?
- c. Why did imperialism take place in the late 19<sup>th</sup> century? Use a systems approach to look at this issue.
- d. How would you interpret the poem *A White Man's Burden* by Rudyard Kipling?
- e. Do you think the philosophy and poem were a justification for the exploitation of other people by Europeans or had some truth to it? Explain.
- f. What reasons did Cecil Rhodes give for his imperialistic conquests?

- g. How were the colonies of the European powers in Africa, Southeast Asia, and elsewhere changed from external status into an economically dependent periphery status during the 19<sup>th</sup> century?
- h. What is/was the significance of cash crops?
- i. What were some of the common experiences that colonies shared in their colonization process?
- j. In what ways did some European colonial powers revive mercantilist economic practices from the 16<sup>th</sup> and 17<sup>th</sup> centuries in their imperialistic ventures? Who benefitted from these practices? Who did not?

#### 11. The Golden Era of Global Capitalism

- a. Why did Adam Smith make specialization – the division of labor – the centerpiece of his economic argument?
- b. What was the role of core countries in this specialization process? Periphery countries?
- c. Who benefitted from specialization? Who did not benefit?
- d. What is the relationship between imperialism and economic stagnation?

#### 12. A Shift in Core Areas

- a. What was the significance of the Paris International Exposition of 1900?
- b. What happened to British society as it declined from its core status?
- c. Where did some British get their wealth after the 1890s?
- d. Explain economic historian Eric Hobsbawm's quote: the British were "living off the remains of world monopoly" while opting "to retreat into her satellite world of formal and informal colonies," and to "export her immense accumulated historical advantages in the underdeveloped world, as the greatest commercial power, as the greatest source of international loan capital."

### **Section 2.4 The Early Twentieth Century Economy (1914-1945)**

#### Terms to Consider:

inflation

Fordism

U.S. stock market

Great Depression

Smoot-Hawley Tariff Act

deflation

import substitution industrialization (ISI)

developmentalism

social democracy

welfare capitalism

classical economic order

John Maynard Keynes

#### Questions to Consider:

##### 1. Post World War I

- a. What happened to the British after World War I?
- b. What happened with their interests in Latin America?
- c. What happened to Russia after World War I?

##### 2. The 1920s

- a. What were the effects of inflation in the early 1920s?
- b. What effect did inflation have in Germany?
- c. How did the German middle class suffer in the 1920s?
- d. European extreme right wing or nationalist movement attracted what group of people? Why did these groups

join the right wing? Who was the extreme right against?

e. What role did the U.S. play in the world economy in the 1920s?

f. Explain the rise of corporations in the 1920s?

g. What was Fordism? Why was it significant?

h. What happened to labor in the 1920s?

i. How did the 1929 financial crisis start? How did it end?

3. The Great Depression of the 1930s

a. What happened to the economy at the start of the Depression?

b. What effect did the Smoot-Hawley Tariff Act in 1930 have on the Depression?

c. How did adherence to the gold standard exacerbate the problems?

d. Why didn't laissez-faire policies work to end the Depression?

4. The Rise of Economic Nationalism

a. What economic strategy did the fascists use that was different from the democracies in the 1930s?

b. What economic path did many middle status, semi-industrial, debtor countries take during the 1930s?

c. What economic policies did extreme right countries enact? What groups did these policies favor?

d. What economic policies did those favoring national self-sufficiency favor?

e. What economic policies were favored by the Soviet Union? Who did these policies favor? Not favor.

e. What was import substitution industrialization (ISI)? What countries promoted these policies? What groups did ISI policies favor?

f. What is developmentalism? What countries promoted these policies? Why?

5. Building a Social Democracy

a. What is a social democracy? What countries built social democracies?

b. Why were social democracies being built?

c. What policies did social democratic countries promote?

d. What is welfare capitalism?

e. What is the classical economic order? What happened to this order?

f. What is the significance of John Maynard Keynes?

## **Section 2.5 The Post World War II Economy (1945-the 1970s)**

Terms to Consider:

Bretton Woods

International Monetary Fund (IMF)

World Bank

General Agreement on Tariffs and Trade (GATT)

Marshall Plan

Organization for Economic Cooperation and Development (OECD)

multinational corporations (MNCs)

golden age

Export-Oriented Industrialization (EOI)

Questions to Consider:

1. Bretton Woods

a. Why did the U.S. start to champion the cause of free trade after World War II?

b. Why was the Bretton Woods conference called?

c. What issues were discussed at the conference?

- d. What institutions were formed?
2. The Golden Age: The Post-War Years and the Golden Age of Capitalism
    - a. How did the Marshall Plan contribute to the golden age of capitalism?
    - b. How did the Organization for Economic Cooperation and Development (OECD) contribute to the golden age of capitalism?
    - c. What was the ethical shift in capitalism in the post war years, as opposed to the late 19<sup>th</sup> early 20<sup>th</sup> century age of capitalism?
    - d. What was the result of incorporating managed capitalism into the economies of Western democracies?
  3. The Golden Age: The Post-War Years and the Golden Age of Communism and Socialism
    - a. Why did communist and socialist nations want central planning instead of a market economy?
  4. The Golden Age: The Post-War Years and the Golden Age for the Middle and Periphery Countries
    - a. What approach to trade did ISI countries take? Why?
    - b. What were the results of ISI policies?
    - c. What was Export-Oriented Industrialization (EOI)?
    - d. What countries embraced EOI? Why.

## Section 2.6 The Crisis of the 1970s

Terms to Consider:

devalue

float

capital controls

overcapacity

overproduction

stagflation

full employment profit squeeze

Organization of Petroleum Producing Countries (OPEC)

social movements

Questions to Consider:

1. The Dollar and Gold
  - a. What policies were made concerning the gold standard at Bretton Woods?
  - b. What happened to these policies in the early 1970s?
2. International Financial Flows
  - a. What is a floating currency?
  - b. What are the side effects of floating currencies?
  - c. What happened when governments loosened capital controls?
3. Overcapacity
  - a. What is overcapacity?
  - b. Why was there overcapacity by the 1970s?
  - c. What was the effect of overcapacity?
4. Stagflation
  - a. What is stagflation?

- b. What brought about stagflation?
  - c. Why didn't traditional Keynesian economic policy tools work in the face of stagflation?
5. Low Labor Productivity
- a. What was the "full employment profit squeeze?"
  - b. What was the "cost of job-loss?"
  - c. What were the effects of this "full employment profit squeeze?"
6. Oil
- a. What was OPEC (Organization of Oil Producing Countries)?
  - b. What countries were members of OPEC?
  - c. Why did they raise the price of oil?
  - d. What effect did this price increase have on the global economy?
7. The Decline of U.S. International Authority
- a. Why did the U.S. decline as the undisputed international authority by the 1970s?
  - b. Did another nation take over the leadership role?
8. Social Movements in the United States
- a. What were some of the significant social movements in the U.S. in the late 1960s and 1970s?
  - b. What effect did social movements have on the economy?
  - c. What groups were against incorporating the needs that social movements raised into economic policies? Why?
9. Debt and Poverty in the Middle and Periphery Nations
- a. In what ways did problems in the middle and periphery countries and the ISI nations contribute to the crisis of the 1970s?
  - b. What were the dual economies in the middle and periphery ISI nations?
  - c. How and why did the dual" economies develop in middle and periphery ISI nations?
  - d. What was the impact of ISI policies on rural farmers?
  - e. What problems did the socialist economies face in the 1970s?
10. The Uncertainty of the 1970s
- a. What economic problems developed as the postwar order (1948-1973) came to a close?
  - b. Explain the following quote: "The late 1970s and early 1980s looked like the 1930s?"
  - c. What groups were vying for power during this period?
  - d. What group won out?

## Section 2.7 The Shift to the Right

Terms to Consider:

Paul Volcker

Iranian Revolution

Reagan Revolution

shock

Margaret Thatcher

1. Shift to the Right
- a. What did the neoliberal economic policy agenda advocate for?
  - b. What interest group led the neoliberal economic policy agenda?
  - c. Why did the average person support the neoliberal agenda?

- d. What was corporations' three pronged campaign to ensure support for their agenda?
- e. What did Chairman of the Federal Reserve in 1979, Paul Volcker, do to stop inflation?
- f. What was the new economic era that dawned at the beginning of the 1980s?
- g. What was the "the Reagan Revolution?"

### **Section 2.8 Concluding Insights: Historical Roots of the Global Economy**

#### 1. Concluding Insights

- a. Explain the following quote in your book: "The neoliberal version was not a spontaneous creation of nature but a well-orchestrated plan to change the trajectory of U.S. capitalism."
- b. Who benefitted from neoliberal changes?
- c. What groups benefitted in the golden era of post-war capitalism in the U.S.?
- d. What 3 dimensions to the global economy emerged out of the bedlam of the 1970s? Briefly describe each one.
- e. What does it mean to you that we will be pulling apart the 3 dimensions of the global economy? Do you think this is a good idea?