

Study Questions

The Global Economy: Connecting the Roots of a Holistic System

by Dr. Denise R. Ames, Center for Global Awareness

Chapter 3. The Neoliberal Stew: A Dozen Essential Ingredients

Section 3.1 Introduction

1. Chief Sitting Bull
 - a. What does the quote by Chief Sitting Bull mean to you?
 - b. Who was Sitting Bull?
 - c. Why do you think the author include a quote by Chief Sitting Bull to begin the chapter?

Section 3.2 The Philosophy of Neoliberalism

Terms to Consider:

Milton Friedman

The Chicago School

Alan Greenspan

Federal Reserve

Marriner Eccles

Questions to Consider:

1. The Philosophy of Neoliberalism
 - a. What free-market theorists did neoliberals draw upon?
 - b. How was neoliberalism framed?
 - c. What key contributions did Milton Friedman make to neoliberal ideas?
2. Alan Greenspan and the Federal Reserve
 - a. What connection did Alan Greenspan have with Ayn Rand? Why is this significant?
 - b. Give a brief history of the Federal Reserve.
 - c. Who was Marriner Eccles?
 - d. What is Eccles contribution to the Federal Reserve?
 - e. How did the Greenspan chairmanship of the Fed reflect the neoliberal tilt in economic policy during the 1980s?
 - f. Which Fed Chair's economic philosophy do you most agree with? Explain.
3. The Neoliberal Stew
 - a. What are the dozen ingredients in the "neoliberal stew?"

Section 3.3 Ingredient #1: Free Trade

Terms to Consider:

free trade

tariff

Alexander Hamilton

infant industry

Corn Laws

Tariff of Abominations

Underwood Tariff
 Smoot-Hawley tariff
 North American Free Trade Association (NAFTA)
 Chapter 11

Questions to Consider:

1. Free Trade
 - a. What is free trade?
 - b. What do free traders say will happen when checks and tariffs are removed on trade?

2. History of Free Trade
 - a. Is mercantilism considered free trade?
 - b. Did Alexander Hamilton support free trade? Why or why not?
 - c. Did Thomas Jefferson support free trade? Why or why not?
 - d. What is the infant industry argument? Give an example.
 - e. What significance did the Corn Law have in Britain in 1846?
 - f. What was the dispute between free traders and protectionists in the decades before the Civil War?
 - g. What was the Tariff of Abominations?
 - h. Why did President Abraham Lincoln's administration support a new tariff act in 1862?
 - i. What was the difference between the Republican and Democratic political parties in the late 1800s?
 - j. What was the Underwood Tariff bill in 1913? Why was the bill passed? Why was an income tax needed?
 - k. What was the significance of the 1930 Smoot-Hawley tariff?
 - l. Why was it clear that free trade would be in America's best interest at the end of World War II?
 - m. Why did the U.S. economy start to slip in the 1970s?
 - n. What arguments did neoliberals make in support of their free trade policies?
 - o. Using a systems or holistic approach to decide whether tariffs are beneficial?
 - p. In what ways have labor unions changed their position on free trade since the 1950s? Why?

3. North American Free Trade Association (NAFTA)
 - a. What is NAFTA?
 - b. Why was it passed?
 - c. What do critics say about NAFTA?
 - d. What have been the effects of NAFTA on Mexicans? On Americans?
 - e. What is Chapter 11 in the NAFTA agreement?
 - f. Why has Chapter 11 been criticized?

4. Protections or Free Trade
 - a. What policies do you favor, protectionism or free trade?
 - b. What are the benefits and drawbacks of each one?
 - c. Today, who benefits under protectionism? Under free trade?

Section 3.4 Ingredient #2: Privatization

Terms to Consider:

privatization
 private sector
 public sector
 voucher
 commons

Dawes Act
natural monopoly

Questions to Consider:

1. Privatization
 - a. What is privatization?
 - b. What is the difference between the public and private sectors?
2. 12 Privatization Configurations
 - a. Briefly describe the 12 privatization configurations.
 - b. Give an example of each configuration.
3. A Brief History of Privatization
 - a. How and why was agriculture privatized in the early modern era?
 - b. What were the commons? Why did the commons largely disappear?
 - c. What contribution did John Locke make towards the privatization of property?
 - d. In what ways was the U.S. Dawes Act an example of privatization?
 - e. What are public services? Do they lend themselves well to privatization? Explain.
 - f. What is a natural monopoly?
 - g. What changes in privatization were ushered in during the 1980s?
4. Privatization: Beneficial or Detrimental?
 - a. What arguments do supporters of privatization make in favor of their case?
 - b. Briefly describe the 7 Assumptions about Privatization.
 - c. Which one of the assumptions do you think makes the most sense? The least sense?

Section 3.5 Ingredient #3: Deregulation

Terms to Consider:

deregulation

Glass-Steagall Act

Securities Exchange Act

Bank Holding Company Act

Riegle-Neal Interstate Banking and Branching Efficiency Act

Telecommunications Act

Gramm-Leach-Bliley Act of 1999

Enron

Western U.S. Energy Crisis

Kenneth Lay

Questions to Consider

1. Deregulation
 - a. What is deregulation?
 - b. Why is deregulation considered a comparative advantage?
2. A Brief History of Deregulation
 - a. Why did the stock market rise in the 1920s in the U.S.?
 - b. What did government officials think they needed to do to bring the U.S. out of the Great Depression in the 1930s?
 - c. What was the Glass-Steagall Act? What was its significance?

- d. What was the Securities Exchange Act? What was its significance?
- e. What was the Bank Holding Act? What was its significance?
- f. What was the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994? What was its significance?
- g. What was the Telecommunications Act of 1994? What was its significance?

3. Enron

- a. Why is Enron used as an example of the dire effects of deregulation?
- b. How was Enron able to carry out its illegal dealings?

Section 3.6 Ingredient #4: Small Government is Best

Terms to Consider:

Ronald Reagan

starve the beast

research and development (R&D)

Questions to Consider:

1. Government

- a. What is your reaction to President Ronald Reagan's remarks in his First Inaugural Address, January 20, 1981?
- b. How does Reagan's simple sentence in his inaugural address sum up the neoliberal philosophy towards government?
- c. What is your reaction to Grover Norquist's, a neoliberal strategist, statement: "Our goal is to shrink government to the size where we can drown it in a bathtub."
- d. Have neoliberals reduced the size or cost of government? Explain.
- e. What do you think the role of government should be?

Section 3.7 Ingredient #5: Supply Side Economics

Terms to Consider:

supply side economics

monetarism

Questions to Consider:

1. Supply Side Economics

- a. What is supply side economics?
- b. How is it different than demand side economics?
- c. What is the purpose of supply side economics?
- d. What was John Maynard Keynes position on supply side economics? Explain.
- e. What do supply-siders think the role of government should be?
- f. What do critics of supply side economics say is the problems with the theory?

2. Monetarism

- a. What is monetarism?

Section 3.8 Ingredient #6: Lower Taxes

Terms to Consider:

taxes

Warren Buffet

Questions to Consider:

1. Taxes
 - a. What do neoliberals think should be done with taxes?
 - b. Who benefits from neoliberal tax policies?
 - c. Has lower taxes for the wealthy stimulated growth?
 - d. What has happened to the share of taxes paid by the wealthy over the last 30 years?
 - e. What has happened to the share of taxes paid by corporations over the last 30 years?
 - f. Where has much of the money come from to pay for government services in the last 30 years?
2. Warren Buffet
 - a. What is your reaction to Warren Buffet's opinion letter in the New York Times? Do you agree or disagree with his position? Why?

Section 3.9 Ingredient #7: Reduce the Deficit

Terms to Consider:

deficit
 federal debt
 budget
 surplus

Questions to Consider:

1. Deficit
 - a. What is a deficit?
 - b. What is the national debt?
 - c. What was Alexander Hamilton thoughts on the national debt?
 - d. What is the debt to GDP ratio? What is it in the U.S.? In France? In Greece? In Japan?
 - e. How did the U.S. accumulate so much debt? (4 categories)
 - f. How can the deficit problem be solved?
 - g. Do you think there is a debt problem? What do you think is the most sensible way to solve the deficit (debt) problem?

Section 3.10 Ingredient #8: Markets Know Best

Terms to Consider:

Efficient Market Theory
Homo Economicus

Questions to Consider:

1. Efficient Market Theory
 - a. What is the Efficient Market Theory?
 - b. What does it mean when neoliberals say that markets are rational? Do you think they are rational?
 - c. What do critics say about the Efficient Market Theory?
 - d. What is *Homo Economicus*? How is it connected to the Efficient Market Theory?
 - e. What does behavioral scientist Alexia Eastwood say about all this?
 - f. Journalist William Grieder states, "Who can still believe in efficient markets?" Do you? Explain.
 - g. What areas of the economy do you think the market does not perform very well? Explain.
2. Competition and Cooperation
 - a. What do you think of Eastwood's research that finds humans are more cooperative than competitive?
 - b. How is our modern society shaped by the notion that competition among humans is best for society?

Section 3.11 Ingredient #9: Support of Corporations and the Financial Sector

Terms to Consider:

Hudson Bay Company

Santa Clara County v. Southern Pacific Railroad

Clayton Anti-Trust Act

1994 Economic Crisis in Mexico

Questions to Consider:

1. A Brief History of Corporations

- a. What were the forerunners of today's modern corporations? How were they formed?
- b. Why did colonial Americans fear chartered corporations?
- c. What did Americans early in their history do to rein in corporations?
- d. What did Thomas Jefferson propose to do about potential excessive corporate power?
- e. Why was President Abraham Lincoln wary of corporations?
- f. What was the significance of the Supreme Court case *Santa Clara County v. Southern Pacific Railroad*?
- g. What human rights have corporations attained?
- h. What did the Progressive movement in the early 1900s do about corporate power? Were they successful?
- i. Were corporations powerful in the 1920s?
- j. Were corporations powerful during the Depression in the 1930s?
- k. Describe the regulating system of checks and balances in the post-war years in the U.S.? Was it successful?

2. Favoring the Financial Sector

- a. How did bailouts of financial institutions favor them? Why were they carried out?
- b. What was the 1994 Economic Crisis in Mexico? How was it resolved? Who was helped by the resolution?
- c. What does it mean the gains were privatized but the risks were socialized? Do you think this was true in the case of the crisis in Mexico?
- d. How does the method of payment for top executives and traders on Wall Street favor them?

3. Government Policies

- a. Can you think of ways in which government policies favor corporations or the financial sector?
- b. Do you think this is fair?
- c. What do you think would be a good solution to end this favoritism?

Section 3.12 Ingredient #10: Labor and Neoliberalism

Terms to Consider:

labor

Knights of Labor

American Federation of Labor (AFL)

Congress of Industrial Organization (CIO)

American Federation of State, County, and Municipal Employees (AFSCME)

Questions to Consider:

1. Labor

- a. What is the definition of labor?
- b. What is the difference between white collar and blue collar workers?

2. A Brief History of Labor in the United States

- a. In what ways did the nature of work change with industrialization?

- b. How did migration affect labor in the late 19th and early 20th centuries?
- c. Explain the statement: "Early industrialization was built upon the backs of exploited cheap labor and the poor." Do you think this was true?
- d. Why did industrial workers want to form unions? Were they successful?
- e. What gains did labor make in the 1930s and 1940s?

3. Labor Under Neoliberalism

- a. Over the last 100 years, what has been the progressive agenda regarding labor?
- b. How do neoliberals regard labor?
- c. What laws beneficial to labor do neoliberals think should be repealed?
- d. What problems did neoliberals think full employment posed?

4. Your Reaction to Neoliberal Policies

- a. What are your thoughts about neoliberals' actions towards labor?
- b. Have you or your friends been directly affected by neoliberal labor policies?
- c. Have you seen labor changes in the last 30 or so years?

Section 3.13 Ingredient #11: Rugged Individualism

Terms to Consider:

Ayn Rand
individualism
Bill Gates
equalizing institutions

Questions to Consider:

1. Individualism
 - a. Who is Ayn Rand? What ideas did she support?
 - b. What are the core values many Americans hold dear?
 - c. Who are some of your business heroes? Why?
 - d. Explain the statement: "Emphasis on individualism deemphasizes the concept of the public good and community and replaces it with individual responsibility."
 - e. Why are teachers and other educators blamed for societal problems?
 - f. What values are associated with rugged individualism?
2. Individualistic Values
 - a. Do you think that rugged individualism is a worthwhile value for society to promote?
 - b. What are its benefits? What are its drawbacks?

Section 3.14 Ingredient #12: Spreading Neoliberalism

Terms to Consider:

none

Questions to Consider:

1. Spreading Neoliberalism
 - a. What impact did the demise of communism in the early 1990s have on the spread of neoliberalism?

Section 3.15 Concluding Insights: The Neoliberal Stew

1. Evaluation of Neoliberalism

- a. From the short description of neoliberalism presented in this chapter, do you think it has many flaws in its theory and actual workings? What are they?
- b. Do you think the successes outweigh the flaws?