

# Chapter 6: Student Handout

Classical \_\_\_\_\_ stresses the importance of \_\_\_\_\_. Just as it values political freedoms, classical liberalism also holds freedom to be the basic standard in economics, and believes the most beneficial \_\_\_\_\_ system to be the “free market”: an economy that operates with \_\_\_\_\_ government intervention and relies on the choices that rational individuals make in their own \_\_\_\_\_.

## Liberalism in North America

Theodore Roosevelt introduced several reforms during his presidency to give middle-class Americans a “\_\_\_\_\_.”

Part of this square deal involved \_\_\_\_\_ large companies from abusing their control over the marketplace. One of the companies Roosevelt’s government investigated was the Standard Oil Company.

Roosevelt’s successor was William Howard \_\_\_\_\_, who served as president from 1909 to 1913.

Taft pursued several of the progressive initiatives started by Roosevelt, such as breaking up trusts—that is, large business \_\_\_\_\_ that exerted monopolies (exclusive possession and control of a company)

The \_\_\_\_\_ (John Sherman 1890) was not intended to prevent a single company from dominating a market in a “monopoly by merit,” but to prevent anti-competitive behaviour among companies.

It prohibits certain business activities that \_\_\_\_\_ competition in the marketplace

## The Sherman Anti-Trust Act

The Act \_\_\_\_\_ a business entity (such as a trust) from owning two or more competing companies. For example, competing oil companies could not be owned by the same parent company.

In 1911, President Taft and the \_\_\_\_\_ used the Sherman Anti-Trust Act to force the \_\_\_\_\_ Company to break up into 34 smaller, independent companies.

While it was the economic principles of \_\_\_\_\_ that allowed the Standard Oil Company to grow to such a position of market dominance, this position eventually led it to undermine other classical liberal principles such as competition.

## **Reform**

Similar cases in other industries led to a period of reform in North America that saw greater government \_\_\_\_\_ of commerce

These reforms \_\_\_\_\_ to some extent the classical liberal freedoms and principles of the marketplace.

At the same time, the reforms prevented certain powerful entities in society from abusing the rights and freedoms of less \_\_\_\_\_ organizations and individuals.

## **Credit Unions**

In the late 19th and early 20<sup>th</sup> centuries were forming \_\_\_\_\_ unions to counteract the power of big business, the first credit unions were formed in North America.

Credit unions (first created by Alphonse Desjardins):

started as small \_\_\_\_\_ institutions owned by their members; profits are used to offer members better lending rates or lower fees.

Began as an \_\_\_\_\_ to traditional commercial banks, which would often not service smaller communities or provide loans to borrowers with no credit history.

While the group ownership and profit-sharing operation of credit unions went against classical \_\_\_\_\_ principles, they provided access to financial services to a wider range of individuals than traditional banks did.

## **The First Red Scare**

The American political climate of the 1920s was prepared by a period known as the “First Red Scare” (1917–1920).

Red Scare = the colour red being associated with the \_\_\_\_\_ Red Army of the Russian Revolution.

The \_\_\_\_\_ Revolution fuelled public fears of a similar communist uprising in the United States, while inspiring those with leftist political ideologies.

Several large labour strikes in Seattle, Cleveland, Pittsburgh, and other cities in 1919 and 1920 contributed to the public perception that support for \_\_\_\_\_ and communism in America was growing.

Warren G. Harding became president of the United States in 1921.

He was elected by the widest margin of any president in American history. Harding campaigned on a platform that promised a “return to normalcy.” The three central ideas of this platform were

1. \_\_\_\_\_—a retreat from involvement in other countries’ affairs, especially European countries
2. \_\_\_\_\_—the promotion of policies that favour the existing dominant culture in a country and reduce immigration
3. a reduction of government \_\_\_\_\_ in the lives of citizens

With the \_\_\_\_\_ Act of 1921, Harding reduced income taxes, and repealed the excess profits tax that had been applied to corporations during the First World War.

### **Calvin Coolidge**

When Harding died (1923), his vice-president, Calvin Coolidge, assumed the presidency, and won the 1924 presidential election.

Coolidge favoured \_\_\_\_\_ policies to those of Harding.

Coolidge’s administration of the 1920’s implemented policies reflecting his laissez-faire stance.

Personal income taxes were further \_\_\_\_\_ with the Revenue Act of 1924 and reduced again with the Revenue Act of 1928.

### **The Roaring Twenties**

The United States included an ideal of \_\_\_\_\_, but it was an equality of opportunity, rather than circumstance: everyone would have a chance at attaining prosperity, but only those who deserved it (through hard work) would achieve it.

Factories switched to the production of consumer goods, and the economy continued to grow until 1929.

Consumerism \_\_\_\_\_ dramatically over the course of the decade.

As the \_\_\_\_\_ market economy expanded and rapidly modernized, major changes also occurred.

### **Henry Ford**

Industrialists such as Henry Ford (founder of Ford Motor Company) helped spur the economic boom by \_\_\_\_\_ techniques such as \_\_\_\_\_ production (assembly lines and mechanization to produce large volumes of a product at a cheaper price).

Ford also used the practices of welfare capitalism he advocated a minimum wage and a 40-hour workweek in his factories.

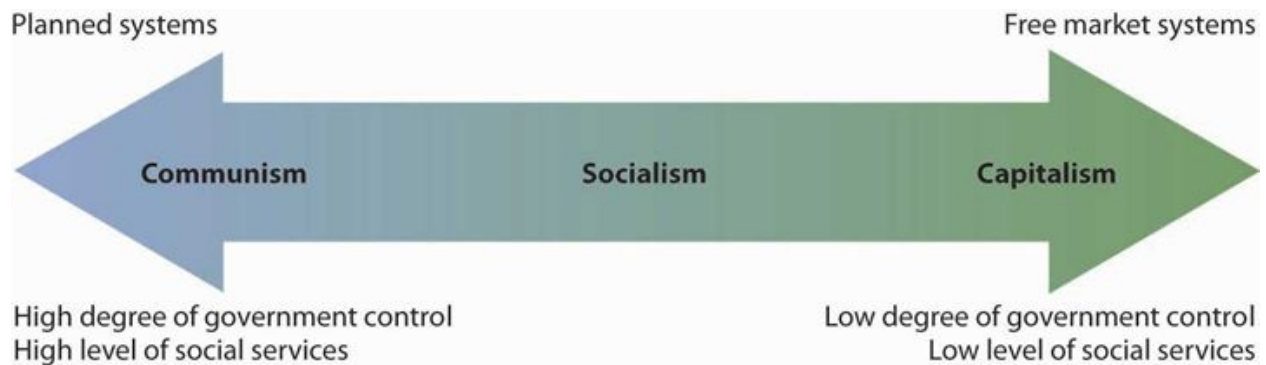
Ford's motivation was \_\_\_\_\_, however; he reasoned that if his employees were happier, they would work more efficiently.

He also believed that paying them \_\_\_\_\_ wages would allow them to buy the products they produced, thus increasing sales.

These and other advances in manufacturing made a variety of products cheaper, and consumer spending—or consumerism—increased dramatically over the course of the decade.

## **The Great Depression - Review and Lasting Effects**

My Notes:



The Postwar \_\_\_\_\_ – period in politics from the end of WWI (1919) until the end of the 1970s.

Countries like Britain, Canada, and the United States \_\_\_\_\_ changes in the role of the state at this time, but they also saw general growth of the principles of liberalism which occurred internationally through contact related to \_\_\_\_\_, international cooperation, foreign aid, and other programs.

### **Postwar Consensus....**

Saw the development of “social safety net” programs such as:

- Employment insurance

- Assistance for the elderly

- Child care

- Universal health care

All of these programs were made possible by

- National Insurance Act

- The National Assistance Act

- The National Health Service Act

### **In Canada...**

- Universal Health Care (Tommy\_\_\_\_\_)

- Canada Pension Plan (CPP) & Old Age Security

- Foreign Investment Review Agency (FIRA) promoting foreign investment in the Canadian economy

- Canadian Radio & Television Commission (CRTC)

Atomic Energy of Canada Limited (AECL) fed. government to control uses for nuclear energy.

These programs were a step in the right direction to ensure that the Economy could see growth but they weren't out of the \_\_\_\_\_ yet.

### **Economic Crisis of 1970s**

In 1973, Egypt and Syria attacked Israel.

In response to American and Western European support of Israel during this time of conflict Organization of the Petroleum Exporting Countries OPEC reduced oil production and limited exportation.

The price of oil quadrupled, causing gas shortages and rationing in the United States.

This had a double effect of making goods more expensive (\_\_\_\_\_) and a slow in the economy.

When a recession and high inflation occur at the same time, it is known as\_\_\_\_\_.

### **Stagflation**

Due to the phenomenon of\_\_\_\_\_, governments in many Western countries found that, while the cost of maintaining programs of a welfare state was rising due to inflation, the economic slowdown meant that governments collected less tax revenue.

This situation led to a \_\_\_\_\_ in economic thinking in many countries in the 1970s and 1980s.

### **Monetarism**

Another swing in the economic pendulum alternates between interventionism and the free-market economy is\_\_\_\_\_.

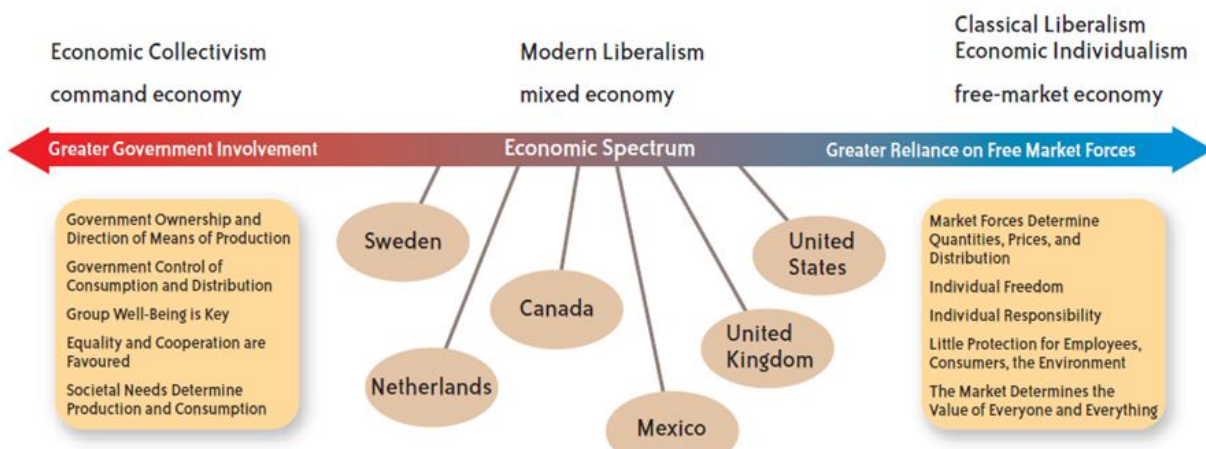
The theory holds that control of a country's money supply is the best means to encourage economic growth and limit unemployment and inflation.

The money supply is controlled through the regulation of interest rates.

Economists like\_\_\_\_\_ and \_\_\_\_\_ believed that the price system, or the free market was the only way to balance supply and demand in the economy while maintaining individual liberty.

The adoption of monetarism by Great Britain, the United States and others reflects a swing of the pendulum back to classical liberal principles and away from the interventionist practices of Keynesian economics.

The intervention of governments during and after the Depression and WWII had established a modified market or a \_\_\_\_\_ economy – the intervention side of the pendulum swing – but the advice offered by Keynes had been only partially accepted by governments.



## CHAPTER 6 TASK

- Choose one task to complete. You will have at least one full class block to complete

/12 (portfolio project)

- 1) Write a 30 second script for a radio promotion of a program on the 'red scare' during the 1920s in the U.S and Canada
- 2) Make a campaign poster for the Harding- Coolidge ticket that reflects his platform. Include a slogan and good visuals.
- 3) Create a graphic or series of images or cartoons that demonstrate the difference between supply and demand side economics. Apply the theories and explain them