

## Commanding Heights-Part I

Name: \_\_\_\_\_ Date: \_\_\_\_\_ Period \_\_\_\_\_

The social and economic catastrophe left in the ashes of World War I ignited an intellectual and political struggle that would last most of the 20th century -- a battle between the powers of government and the forces of the marketplace over who would control the economies of the world's great nations.

"The Battle of Ideas" tells the story of how, for half a century, the world moved toward more government control -- from the centrally planned economies of the communist world to the "mixed economies" of Europe and the developing world to the United States' regulated capitalism -- and then began to move away.

A global economy, energized by technological change and unprecedented flows of people and money, collapses in the wake of a terrorist attack.... The year is 1914.

Worldwide war results, exhausting the resources of the great powers and convincing many that the economic system itself is to blame. From the ashes of the catastrophe, an intellectual and political struggle ignites between the powers of government and the forces of the marketplace, each determined to reinvent the world's economic order.

Two individuals emerge whose ideas, shaped by very different experiences, will inform this debate and carry it forward. One is a brilliant, unconventional Englishman named John Maynard Keynes. The other is an outspoken émigré from ravaged Austria, Friedrich von Hayek.

But a worldwide depression holds the capitalist nations in its grip. In opposition to both Keynes and Hayek stand not only Hitler's Third Reich but Stalin's Soviet Union, schooled in the communist ideologies of Marx and Lenin and bent on obliterating the capitalist system altogether.

For more than half a century the battle of ideas will rage. From the totalitarian socialist systems to the fascist states, from the independent nations of the developing world to the mixed economies of Europe, and the regulated capitalism of the United States, government planning will gradually take over the commanding heights.

But in the 1970s, with Keynesian theory at its height and communism fully entrenched, economic stagnation sets in on all sides. When a British grocer's daughter and a former Hollywood actor become heads of state, they join forces around the ideas of Hayek, and new political and economic policies begin to transform the world.

The ideas of two economists lay at the center of that struggle: John Maynard Keynes, the elegant Englishman who advocated government intervention to control the booms and busts of capitalist economies, and Friedrich von Hayek, the Austrian emigrant who argued that government intervention in the economy would erode human freedom and was doomed to failure.

In western democracies, Keynes's ideas would dominate for decades, until the economic crises of the 1970s forced political leaders to look for new ideas, and rediscover Von Hayek's theories. In the 1980s, the simultaneous emergence of the conservative governments of Margaret Thatcher and Ronald Reagan, who both embraced Hayek's free-market ideas, set the stage for a worldwide capitalist revolution.

1. What happens when governments control or dominate a national economy?
2. What are the benefits and drawbacks of the capitalist economic system?
3. What caused the collapse of the first age of the global free market (in 1914)?

## Commanding Heights-Part II

In the 20th century, most of the world's nations tried to create prosperity through government control of their economies -- from the totalitarian central planning of the communist world to more democratic nations that tried to develop their economies by nationalizing industries and protecting them from foreign competition.

But in the 1980s those policies began to fail dramatically, and the fall of the Berlin Wall unleashed an era of dramatic and turbulent economic reform around the world - - in Russia and the Eastern Bloc nations; in democracies like India that had embraced central planning; and in Latin American countries, which had developed their own brand of government control of economic life, based on a theory called *dependencia*.

"The Agony of Reform" tells the story of how those economies failed and how new leaders embraced the idea of "shock therapy" -- a rapid conversion to free-market capitalism. The program focuses in detail on how reform played out in several countries -- Russia, Poland, India, Bolivia, and Chile -- as they lived through the upheavals of rapid change, dealing with both the new freedoms and the new dangers of privatization, deregulation, and freewheeling competition.

1. Why did so many socialist economies fail?
2. What happens when national governments restrict their domestic economies from open participation in (and dependence on) foreign trade?
3. What are the benefits and dangers of open flows of capital and trade in goods across all national borders?
4. Why have most countries in the world turned back toward free-market capitalism after 80 years of experimentation with socialism and communism?
5. What happens when command economies transform into market economies? How is the transition best undertaken?
6. Is there a relationship between open markets and political freedom?

## Commanding Heights-Part III

By the early 1990s, most of the world had converted to free-market capitalism, setting the stage for the rapid growth of a new global economy. Rapidly falling trade barriers and unrestricted capital flows fueled by furious technological innovation and a new global workforce would all combine to transform the world economy.

"The New Rules of the Game" examines the promise and perils of globalization in the 1990s, focusing on the story of President Bill Clinton's embrace of free-trade policies, the challenges the world's leaders faced in taming the virulent contagion of financial collapse in the developing world, and the violent debate over globalization that suddenly surfaced in the Seattle protests.

In a story that moves from the 1992 presidential campaign to the September 11 attack on America, this film confronts a series of issues: the impact of free trade on the developing world and on American workers; the perils of financial contagion when problems in one developing country cause investors to pull their capital out of all emerging economies; and the challenge of inclusiveness -- bringing the world's poor into the era of global growth. It cuts through the rhetoric to show what "globalization" really is, and what it will mean for our lives in the 21st century.

1. What has a century taught us about the specific problems of market economies -- speculative "bubbles," crashes, underemployment, and unequal distribution of wealth?
2. What have we learned about the effects of imposing price and wage controls, of deficit spending, trade tariffs, and subsidies?
3. What have we learned about the effects of government regulation of markets and privately owned industries?
4. What have we learned about government use of fiscal vs. monetary policy in promoting economic growth?
5. Compare the benefits and liabilities in nationalizing private enterprises and turning them into state-owned industries.
6. Compare the benefits and risks in re-privatizing state-owned industries.

7. In designing new rules for the evolving global economy, how should we address the risks of economic contagion, currency and debt crises, and other dangers to peace and stability?
  
8. As global capital markets have opened up and investors can invest or withdraw support from entire national economies at will, what has been the impact of "market discipline" on national economic and political autonomy?
  
9. Is the open market, capitalist economic philosophy now the only viable model for fostering economic development and prosperity?
  
10. What have the experiences of Asia, Latin America, and Africa to tell us about the advantages and limitations of our own economic viewpoint?