PGE (GL 363) – Fall 2007 **NAME: _____**

Commanding Heights: The Battle for the World Economy WORKSHEET

SYNOPSIS -- *Commanding Heights* -- Episode One: "The Battle of Ideas"

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 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.

If you miss any of the video or would like to see more, please go to the *Commanding Heights* website at http://www.pbs.org/wgbh/commandingheights/

QUESTIONS: Please answer all of the following questions in the space below.

1. After World War II most Western countries moved away from free markets and constructed 'mixed economies' combining nationalization, state planning, and Keynesian demand management. Why were policymakers so keen to abandon markets and adopt state planning during this period?

2. Were these the best policies for these states to follow at the time? If not, why did so many smart people get it so wrong?

3. Why were socialist economic solutions so attractive to leaders in Third World countries like India?

4. What led to the consensus supporting 'mixed economies' to collapse in the Great Britain and the United States (and elsewhere)? Why did these economies move toward deregulation and privatization? What led to the 'revival of the market'?

5. Is the open market, capitalist economic philosophy now the only viable model for fostering economic development and prosperity? Should (or could) the state play a more direct role in guiding the economy?

6. How similar is the global economy of 2007 to that of 1907?