

Global Economics and Ideology



NEWS UPDATE

- Ironically, as I write this, the events of the last few weeks are concerning. I'm referring to the three weeks since Russia invaded Ukraine on February 22, 2022. This assault is already altering global economics and ideology and many of the repercussions are disturbing, to say the least. 1) White supremacy is unapologetically out in the open and the pro-Putin wing of the right-wing Republican party is letting its voice be heard. 2) Within days of the assault, hundreds of thousands, and now millions of Ukrainians left their country as refugees or were displaced to other locations within Ukraine. The United Nations predicts there will be up to six million immigrants or more before it is all over. 3) The "Three Cs" mentioned in Chapter 9 — conflict, COVID, and climate — are having their devastating effects on Ukraine. Aside from the conflict of war, only 34 percent of Ukrainians are fully vaccinated against COVID-19, and environmental destruction includes flooding, storms, higher than normal freezing temperatures, land degradation, and others.
- If we zero in on racial issues, we hear commentators making unintentionally racist remarks about the shock of seeing white-skinned, blue-eyed, Europeans being killed, as if this is somehow more distressful than the slaughter of Syrians, Afghans, and other people of color. And if we hone in on immigration issues, we see how Ukrainian refugees are somehow more acceptable than prior waves of immigrants from poorer countries — people of color, non-European ancestry, and non-Christian religions. On the other hand, the rabid cheering-on of Putin by the U.S. far right may well also be due to white supremacy — after all, Russia too is European, white-skinned, and Christian, providing possible fodder for right-wing white evangelical Christians seeking expansion of their ideology.
- Juxtapose this immigration issue with concurrent immigration speeches at CPAC, the Conservative Political Action Conference. It seems they believe America's biggest problem is immigration. Trump spoke of people "poring" over the southern border, "bringing crime and death." He added, "We're not the United States. We're considered a dumping ground for criminals" (February 27, 2022).
- Finally, within just days of these events, President Biden gave his first State of the Union Address, stating: "In the battle between democracy and autocracies, democracies are rising to the moment." This statement is more profound than one would think, given the context of rising autocratic tendencies among leaders and former leaders of countries and amid the conservative wing of the Republican party in the United States. We will see whether Biden's support for democracy amid a quickly expanding European war makes a difference for our country and the world (March 1, 2022).

PURPOSE

The purpose of this final chapter of the book is to raise the question of whether the worldwide movement toward free markets will continue and whether it will successfully meet the needs of people. It will ask whether the nationalist populism of former President Donald Trump will spread in other parts of the world (yes, it is already). And it will assess whether white supremacy, anti-Muslim, and neo-Nazi fascism and autocracy will spread in our country and abroad. The chapter also enables students to synthesize what they have learned about the economic left and the economic right philosophies and policies. As students formulate their own opinions, we make it clear to them that nationalist populism is not an economic viewpoint and is indeed considered racist and bigoted.

WHAT'S NEW?

1. The real question isn't "What's New?" but "What Isn't New?" since this chapter readdresses the recent past, present, and future. With the help of hindsight, we see an evolving context first described in Chapter 9: COVID, climate, and conflict. We begin with the Arab Spring, which left devastation in its tracks and led to massive migration to Europe. Immigrants were met with generosity by some and resistance by others, with the latter heralding renewed attention to neo-Nazism and white supremacy.
 2. Immigration to the United States triggered similar responses of generosity and antipathy and coincided with former President Trump's ideology of nationalist populism and white supremacy. The racism, deceit, and incompetence of his administration was coupled with rising authoritarianism that culminated in the January 6, 2021, insurrection. Our nation is now left to pick up the pieces.
 3. None of this occurred in a vacuum, of course, and the coronavirus pandemic emerged in early 2020 as a frightening maelstrom none of us had experienced before. Our polarized nation politicized the pandemic and created a vast divide between those who followed the guidance of health experts and those who charged that restrictions to prevent coronavirus spread hindered their "liberty." The life and times left us all wondering: where do we go from here?
 4. In this context, we consider the ideologies of populism, white supremacy, and anti-immigration across the United States, Western Europe, Eastern Europe, and the developing world. Nearly all of this material is new, and it gives students the opportunity to examine growing authoritarianism and the direction toward the future.
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TEACHING SUGGESTIONS

► *Student Interest*

- Students are interested in the chapter topics, if for no other reason than they realize they are living in a time that will go down in history. Our democracy proved itself fragile, we lost friends and family to the pandemic, and our lives have been upended. Students have been a part of all this.

► *Controversy*

- Just like "What Isn't New," we could ask, "What Isn't Controversial?" The sharp divide between red and blue, Republican and Democrat, vaccinated and unvaccinated, Trumpers and never-Trumpers, and even whether the insurrection was "legitimate political discourse" (as described by the Republican National Committee) or whether it was an insurrection. The title of the chapter could alternatively be, "Controversy."

- Finally, just like “What Isn’t New?” and “What Isn’t Controversial?” we could ask “what isn’t totally polarized and divisive between the economic right and the economic left, and even more so, between supporters and opponents of populist ideology and the racism that accompanies it?” Ideology and philosophy are critical to this chapter.

► *Economic Theory and Models*

- We use two models to discuss the economic right and its focus on economic growth. The first is the short-run situation of the aggregate demand/aggregate supply (AS/AD) model with a forward shift in the AS curve creating growth via supply-side policy. Of course, the effectiveness of supply-side policy is always in question.
- The second model of economic growth is the production possibilities model showing long-run growth as an outward shift of the production possibilities curve. Growth hinges on the improvement in efficient use of resources, their quantity and quality, and technology.

► *Data and Terminology*

- Data are updated for GNI per capita, growth in GDP, growth in the labor force, growth in labor productivity, the savings rate, growth in capital formation, Internet use, and spending on research and development for the countries of the Western industrialized world. These are all discussed in the context of economic growth.
- We look at some similar data for the Eastern industrialized world, including updated data on GNI per capita and growth in GDP. We discuss these in the context of economic transition.
- We also look at GNI per capita and growth in GDP for the developing countries, and we discuss these in the context of economic reform.
- As we switch gears to the economic left, we examine the safety nets and updated statistics on average life expectancies indicators of standards of living for countries in all three regions.
- We need to remind students about various terminology. There is a difference between the words liberal (the economic left) and liberalism (the economic right). Socialism and capitalism refer to economic systems, which may coexist with any form of political system. Being an economic liberal or economic conservative may be very different from being a social liberal or social conservative. (You may also want to reassure students that they can be an economic liberal and social conservative, or vice versa. They can also be liberal on some issues and conservative on others.)

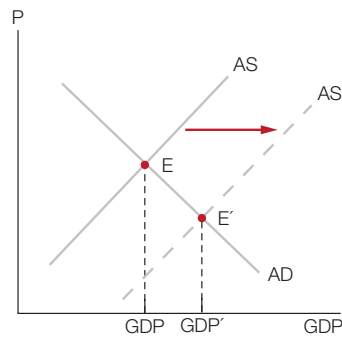
► *Fundamentals*

- Those who focus on GNI per capita and growth of GDP assume that the benefits of growth and prosperity will trickle down to everyone. We know this isn’t true, and indeed, the policies used to create economic growth may well worsen income inequality and harm the poor. Advocates of “trickle down” know this and are displaying their true negative attitudes toward the poor.
- In the context of the pandemic, states that refused expanded federal assistance for their populations, especially for working women with children, childcare providers, elder care providers, poor women, and women of color, state they did so because that assistance discourages work effort, right in line with supply-side economic theory. Bearing in mind that the coronavirus made it difficult to work safely, care for children and needy family members, and assist with their children’s virtual education *WHILE WORKING*, we are left to assume that the underlying concerns about work incentives are really attitudes of contempt for the poor and people of color,

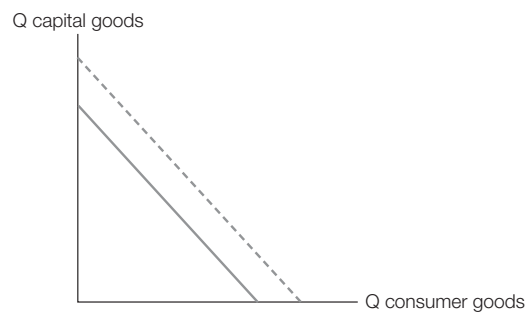
especially women. Similarly, opposition to Biden's Build Back Better plan, its intended safety net for the poor, and its search for racial equity reveals the same contempt.*

CLASSROOM EXERCISES

1. Consider the graph of the macroeconomy. Label the equilibrium point (E) within the graph, and label the equilibrium quantity of total output (GDP) along the GDP axis. Shift the curve to show what happens if there is a reduction in tax rates and transfers that successfully create incentives for increased work effort. [Supply will shift forward.] Label the new equilibrium point (E') within the graph, and the new level of GDP' along the GDP axis. What is the effect on GDP? [Increase].



2. Consider the production possibilities curve for the United States with the quantity of capital goods and consumer goods on the two axes. Shift the curve to show what happens over time if there is an increase in the quantity and quality of productive resources. [It shifts outward.] What is the economic term for the change that occurs? [Economic growth] Is this a short-run or a long-run result? [Long-run]



* I'm sure you've noticed that the word "contempt" has been used in the textbook and in the instructors' manual over and over. This has been deliberate. Certainly, overt hostility and racism are motivated by contempt, but that doesn't explain the deeper problem of systemic racism, which often arises from a quest to maintain one's white privilege in ways inimical to people of color. If this is explained to people, and people continue to live as usual, what is it if not contempt that explains their deep disregard for others?

SAMPLE TEST QUESTIONS

Multiple Choice Questions

1. The Arab Spring:
 - a. was a democracy movement.
 - b. took place in many of the Arab countries in the Middle East and North Africa.
 - c. began in Tunisia
 - d. all of the above**

2. In Syria, the Arab Spring:
 - a. failed.
 - b. created oppression.
 - c. created vast migration.
 - d. All of the above**

3. In the last few decades, the United States has experienced immigration from:
 - a. the Northern Triangle of Central America.**
 - b. the Southern Triangle of South America.
 - c. the middle Triangle of Central Asia.
 - d. all of the above

4. Which of the following is true? The economic right (conservatives) believe that:
 - a. the level of GNI per capita is important.
 - b. the growth of GDP is important.
 - c. the benefits of economic growth and prosperity trickle down to the poor.
 - d. all of the above**

5. Which of the following is true? The economic left (liberals) believe that the marketplace:
 - a. is imperfect.
 - b. entails market failures.
 - c. is not necessarily equitable.
 - d. all of the above**

6. In terms of the categories defined in the text, Russia belongs to:
 - a. the Western industrialized world.
 - b. the Eastern industrialized world.**
 - c. the developing world.
 - d. none of the above

7. Which of the following is *not* part of the developing world (as described in this text)?
 - a. Eastern Europe**
 - b. Latin America
 - c. Asia
 - d. Africa

8. According to the text, which of the following countries has recently had the highest GNI per capita in the Western industrialized world?
- Switzerland**
 - Norway
 - The United States
 - Denmark
9. According to the text, which of the following countries has recently had the highest average annual economic growth rate among the Western industrialized countries?
- The United States and Norway
 - Canada and Sweden**
 - Denmark and Finland
 - Germany and the United Kingdom
10. Production possibilities:
- shows alternative combinations of the maximum amounts of output an economy can possibly produce.
 - assumes resources are fully and efficiently used.
 - assumes technology is fully and efficiently used.
 - all of the above**
11. Economic growth is displayed in a production possibilities graph as:
- a movement along the curve.
 - a movement to a point below the curve.
 - an inward shift of the curve.
 - an outward shift of the curve.**
12. Labor productivity depends on:
- investment in human capital.
 - investment in physical capital used in conjunction with labor.
 - training and education programs.
 - all of the above**
13. Which of the following is *not* listed in the text as a means of achieving economic growth?
- Increase in capital
 - Improvement in technology
 - Improvement in labor productivity
 - Increase in monopoly**
14. The U.S. savings rate is:
- the highest in the Western industrialized world.
 - the lowest in the Western industrialized world.
 - in-between the highest and the lowest in the Western industrialized world.**
 - the same as gross capital formation.

15. Income earned when selling an asset at a higher price than when it was purchased refers to:
- research and development (R&D).
 - capital flight.
 - capital gains.**
 - liberalism.
16. The text associates the economic right with:
- economic growth.
 - economic transition.
 - economic reform.
 - all of the above**
17. The artificial prices traditionally set by socialist countries had created:
- low prices and shortages.**
 - high prices and shortages.
 - low prices and plentiful supplies.
 - high prices and plentiful supplies.
18. The most prominent elements of the transition in the Eastern industrialized world to capitalism include:
- price decontrol.
 - privatization.
 - the development of entrepreneurship.
 - all of the above**
19. The transition from socialism to capitalism in the Eastern industrialized world has often resulted in:
- unemployment.
 - inflation.
 - inequality
 - all of the above**
20. Among the developing countries listed in the text, the poorest country (with lowest GNI per capita) is:
- Saudi Arabia.
 - Chile.
 - China.
 - Afghanistan.**
21. Petrodollars are the:
- name given to Russian currency.
 - vouchers given to Russian citizens for the purchase of shares of enterprises.
 - money earned from the sale of petroleum.**
 - export earnings that leave the country in capital flight.
22. The debt service ratio is the amount of principal and interest that must be repaid:
- over the time period of the loan.
 - in a particular year.
 - in a particular year, as a share of GDP.
 - a particular year, as a share of exports of goods and services in that year.**

23. Average annual growth of GDP in the developing world countries listed in the table consists of:
- a high in China and Ethiopia.**
 - a high in Yemen and Afghanistan.
 - a low in Namibia and Kenya.
 - a low in Costa Rica and Uganda.
24. Which of the following Western industrialized countries have experienced the recent spread of right-wing and white supremacist groups?
- Germany
 - France
 - The Scandinavian countries of Norway, Sweden, Denmark, and Iceland.
 - All of the above**
25. Which of the following Eastern industrialized countries have experienced the recent spread of right-wing and white supremacist groups?
- Hungary
 - Poland
 - Slovenia
 - All of the above**

True / False Questions

- Based on text data, most of the Western industrialized countries experienced higher average annual growth of GDP in the recent time period (2000–2019) than the earlier time period (1990–2000). **(F)**
- Economic conservatives generally favor a very limited role for government in the economy. **(T)**
- Populism is often combined with nationalism. **(T)**
- Immigrants are often scapegoated by populists. **(T)**
- Donald Trump was a populist. **(T)**
- The economic left focuses on output and its growth. **(F)**
- The aggregate demand/aggregate supply model and its shift of aggregate supply represents long-run growth, whereas the production possibilities model and its shift of the production possibilities curve represents short-run growth. **(F)**
- Denmark and Norway have the largest shares of the population that use the Internet among the Western industrialized world. **(T)**
- Economic liberals believe that reductions in business taxes encourage corporations to increase reinvestment in their businesses and improve wages to their workers. **(F)**
- Economic conservatives believe that too many regulations will be harmful to economic growth. **(T)**
- Based on text data, most of the Eastern industrialized countries experienced higher average annual growth of GDP in the recent time period (2000–2019) than the earlier time period (1990–2000). **(T)**
- Based on text data, Russia has the highest GNI per capita among the Eastern industrialized countries. **(F)**
- Ukraine has recently experienced high inflation rates and high unemployment rates. **(T)**
- The transfer of enterprises from the private business sector to the government is called privatization. **(F)**
- Capital flight occurs when cash “flies” from the housing sector into savings accounts. **(F)**

16. The United States has the highest average life expectancy in the world. (F)
17. Average life expectancies range in the 60s in the poorest countries of the world. (T)
18. Brexit presents a good example of nationalism. (T)
19. President Bolsonaro is called the “Argentina Trump.” (F)
20. Nationalism in India includes an anti-Islam attitude. (T)
21. Technology can be thought of as ways of using available resources to produce output. (T)
22. Social media has been one factor in the recent increase in white supremacy. (T)
23. Generally speaking, economic conservatives prefer more government regulation than economic liberals. (F)
24. The tax rate, as specified in the text table, places the United States as the highest in the Western industrialized world. (F)
25. Decontrol of prices in the Eastern industrialized countries generally led to inflation. (T)
26. The roots of economic reforms in developing countries are in the 1980s international debt crisis and 1970s oil crisis. (T)
27. Nationalist populism strongly supports free trade and immigration. (F)
28. The distribution of income and the composition of output in part determine average life expectancies. (T)
29. We can say, “I am just one person,” but this also means: “I *am* one person!” (T)
30. Without education, we are just “blathering with sandwiches.” (T)

Critical Thinking Questions

1. You now have a much better understanding of the economic systems of capitalism and socialism and the philosophical viewpoints of conservative and liberal as they apply to economics throughout the world. What are your views about the world movement toward conservative and capitalist policies? Explain. What are your views toward nationalist populism? What about authoritarian populism?
2. You have now had a glimpse of the Western industrialized countries, the Eastern industrialized countries, and the developing countries of the world. You may have had experiences visiting or living in some other country and are willing to share these in the classroom.
3. This textbook has focused on the economics of social issues. The ultimate purpose of an education about such issues is, in the opinion of the author, the ability to make this a better world in which we live. I challenge you to think about what you can do to make a difference. Make sure you read the epilogue to this book, which gives you ideas about what you can do achieve greater socioeconomic justice in our world.