



AMERICA : THE LAST BEST HOPE

Economic Key Points, Volume II Enhanced, 1877-1989

Chapter 1 An Age More Golden Than Gilded?

1. New innovations and technologies continue to drive booming economy and standard of living
2. Life becomes easier as “convenience” products such as the electric light finds its way into homes
3. The roots of the entertainment industry begins with the creation of the motion picture projector and phonograph
4. Entire new industries such as oil and automobile begin and will grow to become backbone of the American economy
5. Anti-trust legislation begins to appear in order to ensure competition in the free market and eliminate monopolistic attempts by some corporations to dominate certain markets
6. As mass production increases, prices continue to fall for many new products
7. Agricultural innovation (John Deere) means mass increase in food production, falling food prices consumers, but lower profits for farmers; many move to new cities
8. High tariffs in 1890 leads to higher prices for consumers; contributes to slow down of economy in 1892 and helps prolong the 1892-97 depression (this mistake will be repeated with the Smoot-Hawley Tariff of 1930)
9. As the economy booms, demands to increase the money supply follow; the Sherman Silver Purchase Act is the first such action to accomplish this
10. American labor faces competition from immigrant labor (especially from China) who work for lower wages than Americans; this leads to anti-immigration legislation such as the Chinese Exclusion Act
11. Long hours and dangerous conditions led to the formation of labor unions and many clashes with management, most of which management won, often with the help of government, leaving only about one-tenth of workers (most of them skilled) belonging to unions in 1900.

Chapter 2 An American Dynamo- Shadowed by War

1. The Wright Brothers airplane will form basis of future air transportation and travel; entire industries are built around both today
2. New anti-Trust legislation continues to regulate monopolies in order to ensure free markets and competition and to allow free association of workers in labor unions
3. Henry Ford’s moving assembly line cut automobile production to 90 minutes; this innovation has the typical affect of most innovations: more goods at lower cost to consumers – demand for automobiles soars; transportation and travel are revolutionized
4. The motion picture industry continues to grow
5. Literature (*The Jungle*) impacts society and leads to new regulation of food production (Pure Food and Drug Act)
6. Reduction in tariffs (tax on imported goods) increases trade with foreign countries (lower prices for consumers)
7. Desire to reduce transportation cost (and increase American power and prestige) leads to the building of the Panama Canal
8. The Federal Reserve is created to regulate the central bank and money supply

Chapter 3 America and the Great War

1. Disruption of the “freedom of seas” (sinking of American merchant ships) led to the United States involvement in World War I (compare to reasons for entering War of 1812)
2. Mass production of weapons and supplies makes possible the deadly war in history (up to that point)
3. With mass mobilization of men for participation in World War I, women gain opportunities in factories and jobs normally performed by men
4. World War I leads to more regulation and organization of industry



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Chapter 4 The Boom and the Bust

1. With the German economy in ruins from reparations and the British economy hampered by deep war debt, America's industry picked up the slack, producing near 60% of all the world's industrial goods in the 1920s
2. With prosperity came a focus on entertainment and culture, leading to a growth of jazz, movies, and the Harlem Renaissance
3. Prohibition of alcohol led to black markets and a widespread smuggling industry
4. Innovation in consumer goods drove economic growth (radio, new fashions, washing machines, canned foods, new telephone, phonograph, automobile, etc.)
5. Many people bought new consumer goods on credit and created an economic bubble that will be burst by the Stock Market Crash in 1929
6. With new industries selling goods briskly, the Stock Market rocketed upwards; even many average folk bought stock, often dangerously using credit to purchase shares
7. The Stock Market Crash of 1929 brought prosperity to a sudden halt; unemployed rose quickly and those in debt were soon unable to make payments on automobiles and homes
8. The Smoot-Hawley Tariff Act of 1930 is considered one of the foolish Congressional Acts in history; it raised prices of consumer goods at a time when people were already not spending money; foreign countries reacted with counter-tariffs and American industry suffered further
9. Smoot-Hawley sent America into a depression; since then, the idea of raising taxes during tough economic times is seen as unwise and likely to worsen economic conditions
10. With loans unpaid, many banks closed their doors; many people lost all their savings

Chapter 5 FDR and the New Deal

1. The New Deal brought widespread regulation of American industry
2. Despite dozens of new government work programs, unemployment remained high during the 1930s
3. New Deal pro-labor practices meant wages and product prices remained higher than would be expected which kept both consumption low and unemployment high; a free market in recession (or depression) sees wages (and hence prices) drop until consumers begin to buy again – at that point recovery begins
4. Some New Deal programs further developed America's energy and transportation infrastructure
5. Roosevelt policies to save banks (FDIC and increasing money supply) helped stabilize economy (at the same time other New Deal policies hampered its growth)
6. Despite the 1930s terrible economic performance, the entertainment industry (movies, music, and radio) saw continued growth
7. Counter-productive New Deal economic policies led to a "recession within a depression" in 1938 as unemployment quickly rose again
8. The United States would not fully recover from the Great Depression until mobilization for World War II began in 1940-41

Chapter 6 America's Rendezvous with Destiny

1. The United States is still in the grips of the depression as Europe goes off to war
2. As America begins to mobilize and produce war materials (both for herself and Britain), the depression wanes and recovery finally arrives

Chapter 7 Leading the Grand Alliance

1. Unemployment was almost non-existent as men were drafted and industry produced massive amounts of war materials for the Allied cause
2. Women found new opportunities in war industries and taking jobs left open by men serving overseas
3. African-Americans experienced discrimination as they worked in war industries, thereby leading to FDR's creation of Fair Employment Practices Commission
4. America's industry, which had formally produced consumer goods, was transformed into war production
5. American industry easily out produced the Axis Powers in terms of tanks, planes, ships, ammunition, and other war materials; this was a key component of the Allied victory



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Chapter 8 America Victorious

1. Unemployment continues to be almost non-existent as millions of men served in military roles and industry produced massive amounts of war materials for the Allied cause
2. Women play an important role in war industries
3. African-Americans experienced discrimination as they worked in war industries, thereby leading to FDR's creation of Fair Employment Practices Commission
4. America's industry, which had formally produced consumer goods, was transformed into war production
5. American industry easily out produced the Axis Powers in terms of tanks, planes, ships, ammunition, and other war materials; this was a key component of the Allied victory
6. The National War Labor Board was created to ensure labor disputes did not interrupt war efforts; over 80% of disputes involves wages

Chapter 9 Truman Leads the Free World

1. The United States helped rebuild the worn-torn areas of Western Europe and Japan; Western Germany and Japan would soon become economic competitors especially in the automobile industry
2. The transition from war to peace led to labor unrest; a Republican Congress passed the Taft-Hartley Act that banned the "closed shop," thus allowing businesses more freedom in the labor market

Chapter 10 Eisenhower and Happy Days

1. After having converted industry to military production in the 1940s, the 1950s saw a booming American economy producing consumer goods and automobiles
2. The television revolutionized communications and advertising
3. Widespread use of air conditioning helps fuel American migration toward south and west
4. First McDonald's restaurant opens in 1954; launches new industry: fast food
5. The new inter-state highway system reduces transportation costs; transportation of goods moves from rail transport to highway as widespread use of diesel engines in semi-trailer spreads

Chapter 11 Passing the Torch

1. President Kennedy cut income tax rates (actually signed by Johnson in 1964) and with it came a booming economy in the 1960s
2. Government revenue increased 71% between 1964-1969 due to economic boom (note: the federal government still ran a deficit because spending increased faster than revenue, except for in 1969 when there was a surplus)
3. The first use of the Internet (1969) will bring on another revolution in communications and technology within 25 years

Chapter 12 Nixon's the One

1. Nixon subscribed to "Keynesian Economics" and implemented deficit spending to lower unemployment (having before argued against government intervention in the economy)
2. Nixon's attempts at price controls led to shortages in the market place; these price controls failed and were repealed in 1974
3. Price controls on oil, however, were not repealed and will cause long lines and shortages of gasoline in the late 1970s; President Reagan will do away with these price controls in 1981 and the shortages in gasoline quickly become a bad memory of the 1970s
4. Nixon's price controls are at the center of the 1970s "stagflation" (high interest rates and high inflation)
5. It is claimed that more new regulations were added to business and the economy under Nixon (EPA, OSHA, Equal Employment Commission) than at any point in U.S. history other than the New Deal



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Chapter 13 The Years the Locust Ate

1. Price controls on oil continue the energy crisis which began in the mid-1970; the government price control predictably cause shortages and millions of Americans waste gasoline idling in long lines at gas stations
2. The American economy is hampered by high inflation and high interest rates (stagflation)
3. Restrictions on domestic production means America increasingly must import its energy (specifically oil) needs
4. One of President Reagan's first acts is to repeal price controls on oil; some predict oil prices at \$500 a barrel; in reality oil prices drop and the long lines of the 1970s become a distant bad memory

Chapter 14 Reagan and Revival

1. One of President Reagan's first actions was to repeal price controls; oil prices dropped and remained low, helping to fuel a recovery economy
2. President Reagan's substantial tax cuts led to a long period of economic growth throughout the 1980s
3. Despite the large tax cuts, revenues to the federal government increased from \$600 billion in 1983 to \$990 billion by 1989; large budget deficits however remained a problem because Congress spent the money faster than it came in
4. President Reagan's defense buildup partially contributed to the budget deficits
5. Reagan's Federal Reserve supported a tighter money supply, essentially ending the "stagflation" of the 1970s
6. Innovation helped drive the economy; the spread of the personal computer (PC) led to increased efficiencies in business
7. Communications undergoes another dramatic transformation with the introduction of mobile (cell) phones
8. New video game industries appear and are driven by new computer technologies
9. Television underwent yet another revolution with the widespread use of cable and satellite television
10. Credit cards become pervasive as consumers buy new fashions and products on credit; this credit boom will last until the financial collapse of 2008 when Americans begin to save more than they spend