Chapter 1

Capitalism and the Role of Government

# Chapter Goals

This chapter serves as an introduction to the two fundamental questions examined throughout the entire book: What is the proper role of business, both in America and in the global society? And how much government regulation is necessary or optimal to achieve that role for business? The students are doubtlessly familiar with the broad features of the capitalist-collectivist continuum, but experience suggests that a brief refresher may be helpful. The most fundamental role of this chapter, however, is simply to clarify for the students the cause and effect relationship between economic philosophy and law. The law springs from its roots in political economy (among other sources) and, in turn, the law works to preserve that economic system. Characteristically, students seem not to think of the law as an expression of fundamental economic and philosophical choices. The relationship between capitalism and the particular legal system is not clear to most Americans.

# Chapter Learning Objectives

**After completing this chapter, students will be able to:**

1. Describe capitalism and its relationship to individual rights.
2. Compare and contrast capitalism and collectivism.
3. Differentiate between communism and socialism as collectivist philosophies.
4. Evaluate arguments regarding government’s proper role in the global, technology-based economy.
5. Describe the primary characteristics of a “mixed economy.”
6. Analyze the impact of capitalism on equality, fairness, and community in American and global society.
7. Discuss the theory and practice of privatization.
8. Discuss the current state of capitalism in China and Russia.
9. Describe the income and wealth gaps in America.

# Chapter Outline

## Part One—Introduction

The chapter starts by asking students the following questions—are you a capitalist? If so, what role, if any, should the law play in your business life? How much government does America need? These themes, examining the relationship between government and business, are the core of the text. Since the fall of the Soviet Union and the general decline of communist influence, free market reasoning has dominated worldwide economic discourse. Indeed, noted theorist Francis Fukuyama argued that capitalism and Western democracy had so thoroughly proven their worth that the capitalism/collectivism debate was over. Events, however, have challenged Fukuyama’s bold thesis. The Great Recession, including the subprime mortgage crisis, the stunning power of the Wall Street banks, and the continuing turmoil of globalization have raised grave doubts about the economic reliability of capitalism. Likewise, government’s failure to send corrupt bankers off to jail, rampant greed, and the Occupy Wall Street movement have magnified longstanding doubts about the morality of capitalism.

**I. Capitalism Challenged: Economics**

**A. The Great Recession**

In late 2008, America’s financial markets seemed near collapse. Lending had essentially frozen. Fearing a Great Depression as occurred in the 1930s, the federal government had, during both the George W. Bush and Barack Obama administrations, essentially flooded the market with cash, took on much of the debt held by endangered banks, and, through its Troubled Asset Relief Program (TARP), bailed out companies that were deemed “too big to fail.” Additional stimulus measures included tax reductions, bond sales, infrastructure and “green” projects, and enhanced unemployment benefits. Most of the TARP money has been repaid, but economists differ both on the need for the stimulus efforts and on their success.

**B. Subprime Mortgages**

The financial community’s near collapse had been most directly ignited by the subprime mortgage crisis; a situation in which the nation’s housing bubble burst and millions of Americans were no longer able to pay their home mortgages. Instead of continuing their sometimes meteoric rise in value, those homes had plunged in price and much of the total real estate market had essentially imploded. The resulting mountain of bad debt could not be managed by the American financial institutions that were holding it; fear paralyzed the lending markets, and the government felt obliged to step in to prevent a greater financial tragedy.

**C. Big Banks**

America’s biggest banks, including the five largest—JPMorgan Chase, Bank of America, Citigroup, Wells Fargo, and Goldman Sachs—were deemed “too big to fail” during the subprime mortgage crisis, and they remain a grave threat should the economy falter again. The Dodd-Frank Wall Street Reform and Consumer Protection Act includes provisions designed to reduce the likelihood of big bank failures, but implementation of the new law has been troubled. Federal regulators in 2013 proposed requiring the biggest banks to increase their capital on hand substantially to guard against unexpected losses and reduce the risk to the American economy.

**D. Globalization**

Globalization represents the international flowering of capitalism; the power of free markets has been embraced, enthusiastically or reluctantly, almost everywhere on Earth. That power raised new threats, including the spread of America’s corporate influence and values around the globe. Now, however, globalization seems to be entering a new phase. In a “hyper-connected,” “flat” world, people are linked together in an economic and cultural intimacy scarcely imaginable a few decades back, but new evidence suggests that a period of “de-globalization” may be emerging. International trade and money flows are slowing or actually declining. Globalization has succeeded in raising wages significantly in emerging powers such as China and India. As a result, manufacturing jobs are returning to America in surprising numbers. Of course, globalization is not vanishing, but its economic advantages are shifting and new nationalistic urges threaten to slow the pace of global linkages.

**II. Capitalism Challenged: Morality**

Beyond fears about capitalism’s economic performance, particularly its instability and harshness, critics point to capitalism’s indecencies.

**A. Wall Street Abuses**

Certainly many Americans are puzzled, if not angered, by the government’s inability to criminally punish the big banks and bankers who profited so handsomely in the events that led to the nation’s economic collapse and who, in several cases, had to be bailed out with public money following the collapse. Those same bankers have not only escaped jail, but they continue to earn stunning sums of money. Responding, however, to harsh publicity, among other factors, some of the big banks have either cut or curbed executive pay.

**B. Greed**

CEO salaries for the top 200 U.S. corporations (not limited to bankers) rose 16 percent in 2012. Among those top 200 CEOs, the average income was 273 times the income of the average worker—up from a 20 to 1 ratio in 1965.

Congress showed its concern about CEO pay in a Dodd-Frank provision requiring the Securities and Exchange Commission to give shareholders a “say on pay” by writing new rules requiring periodic shareholder voting on executive compensation. At this writing, “say on pay” seems to have encouraged attention to CEO pay, but a shareholder backlash has not yet materialized.

Anger with corporate greed and perceived abuse of power led to a grassroots global protest movement labeled Occupy Wall Street. Hundreds of peaceful protesters (mostly young, often college-educated and jobless) camped in New York’s financial district in late 2011 to “restore democracy” while denouncing the “greed” and “corruption” of the “upper 1 percent.” The movement then spread to many other American cities and around the globe. Occupy Wall Street gained enormous publicity as a leftist assault on corporate America and the wealthy, but the movement sputtered—perhaps for want of a clear, coherent message.

**III. Capitalism Challenged: America in Decline?**

The economic and moral challenges to the American capitalist system, the rise of China, and the ongoing political dysfunction in Washington, DC, have combined to shake people’s faith in America’s future. Some critics attribute the nation’s problems to fundamental flaws in capitalism and in the American character.

In America’s version of capitalism, as political scientist Benjamin Barber sees it, people find liberty in commerce. People can buy whatever they want; therefore, they are free. But that undemanding vision of liberty means they have no sense of obligation for social and political ideals greater than self-satisfaction.

**A. Vast Resources**

America remains dominant in economic, military, and international affairs, and, as Goldman Sachs recently told its clients, people should recognize “the key economic institutional, human capital and geopolitical advantages the U.S. enjoys over other economies.” In particular, Goldman pointed to America’s attractiveness as a location for investment, the nation’s vast natural resources (especially arable land, oil, and gas), a workforce that is younger and more energetic than those of its chief rivals, and its continuing leadership in innovation.

**IV. Purpose: What Do We Hope to Accomplish?**

Chapter 1 serves as a foundation for the book’s detailed investigation of the following questions:

* What is the proper ethical/social role of business in American life?
* How much, if any, government regulation of business is necessary to secure that role?

**A. Markets and Governments**

Most nations are practicing varying combinations of markets and rules that can be labelled as *mixed economies*. The pure free market approach assumes that the business system and the society at large can be operated free of all but foundational legal mechanisms such as contract and criminal law. The wisdom of the market would “regulate” American life. Most forms of government including regulatory agencies, consumer protection, environmental rules, and all but the most basic government services would be eliminated.

Today’s global debate is not so much about capitalism versus communism as about the mixed economy. Substantially open markets have shown themselves to be the stronger vehicle for productivity, efficiency, and personal freedom.

**B. Law**

Once a society settles on some broad political and economic principles, it employs the law as a primary method of social control. To understand the law, people need to understand its roots in the economic, political, and social preferences of America and the world.

## Part Two—Capitalism: Reduce Government?

Capitalism in America was built on the strong philosophical foundation of personal freedom and private property rights. Monopolistic abuse followed, however, and government grew to curb the power of big business. Thus, America’s substantially free market was gradually constrained by government regulation. The proper balance between open markets and government intervention remains perhaps the central public policy debate in American life.

The controversial philosopher and novelist Ayn Rand was an uncompromising advocate of free market principles. She believed the necessary categories of government were only three in number—the police, the armed services, and the law courts. Rand’s philosophy of Objectivism contends that the practice of free market principles is necessary for a rational, moral life. Rand’s views and the quality of her writing are heavily criticized, but she has been cited as a powerful influence by some of America’s leading corporate and political figures. Her books, including Atlas Shrugged and The Fountainhead, are among the best-selling novels of all time.

***“Man’s Rights,” by Ayn Rand***

The following sentences are excerpts from this reading:

* If one wishes to advocate a free society—that is, capitalism—one must realize that its indispensable foundation is the principle of individual rights. If one wishes to uphold individual rights, one must realize that capitalism is the only system that can uphold and protect them.
* Every political system is based on some code of ethics. The dominant ethics of mankind’s history were variants of the altruist-collectivist doctrine which subordinated the individual to some higher authority.
* Under all such systems, morality was a code applicable to the individual, but not to society. Society was placed outside the moral law, and the inculcation of self-sacrificial devotion to social duty was regarded as the main purpose of ethics in man’s earthly existence.
* The most profoundly revolutionary achievement of the United States of America was the *subordination of society to moral law*.
* The United States regarded man as an end in himself, and society as a means to the peaceful, orderly, voluntary coexistence of individuals. The United States held that man’s life is his by *right*, that a right is the property of an individual, that society as such has no rights, and that the only moral purpose of a government is the protection of individual rights.
* America’s inner contradiction was the altruist-collectivist ethics. Altruism is incompatible with freedom, with capitalism, and with individual rights...
* It was the concept of individual rights that had given birth to a free society. It was with the destruction of individual rights that the destruction of freedom had to begin.

For further information the students could refer to the following websites—<http://www.aynrand.org>

***Free Market Solution to the Baby Shortage?***

This section displays an advertisement that appeared in the *Stanford Daily* (Stanford University)seeking egg donors*.* Experts estimate that about 10,000 babies annually are born from “donated” eggs and about $38 million is spent on those eggs. Fees range from a few thousand dollars to $50,000 or more. The fertility industry is lightly regulated by the federal Centers for Disease Control and Prevention. A few states are considering their own rules. Most industrial nations have banned paid “donations.” [Source: Jim Hopkins, “Egg-Donor Business Booms on Campus,” *USA TODAY*, March 16, 2006, p. 1A.]

**I. Capitalism in Practice—“Privatization” in America and Abroad**

Most commonly, privatization follows the following two patterns:

* Contracting out where government, in effect, turns over a portion of its duties, such as garbage collection, to a private firm; and
* The sale or lease of public assets, such as an airport, to a private party.

Price-driven, free market solutions range from highly pragmatic cost savings to exotic proposals for changing long-standing traditions. Greece, currently the most visible privatization example, faces a collapsing economy and an unemployment rate exceeding 25 percent.

Struggling American governments see privatization as a solution for financial distress. State officials say the privatization plan will save millions of dollars while improving medical care. Citing free market efficiency and personal freedom while challenging moral conventions, privatization supporters envision major changes to daily life. The underlying idea is that the market can make decisions more efficiently and effectively than government while also maximizing personal freedom.

A. Space Travel

Trying to save money while emerging from the Great Recession, the U.S. government has retired its shuttle rockets and will encourage the continuing development of private-sector rockets that are expected to carry on space exploration and travel in cooperation with the government. Presumably, space will be “commercialized” with companies hauling space travel customers and exploiting vast mineral resources that may lead to a new “gold rush.” Critics, however, think the private sector is unlikely to be able to meet the enormous safety and financial hurdles involved in sustained space travel.

***Room for Big Ideas***

SpaceX founder Elon Musk (the cocreator of PayPal and the founder of Tesla, the electric car company) recently said he is working on a vertical liftoff passenger jet as well as a project called a Hyperloop, a tube that would be capable of moving people from San Francisco to Los Angeles in 30 minutes.

B. Toll Roads, Parking Meters and Congestion Pricing

Private companies are building, maintaining, and operating new toll roads in places such as northern Virginia and suburban San Diego to the Mexican border. Taking the privatization movement a step further, state and local governments are selling or leasing existing roads to private companies.

However, critics worry about the effect of declining service, excessive tolls, too much profit for the investors, pricing poorer drivers out of access to the roads, and trading secure government jobs with benefits for low-wage private-sector jobs without benefits.

While adding to and upgrading infrastructure through privatization, governments and their agents are also turning to pricing/market mechanisms to reduce demand for that infrastructure.One expanding initiative is congestion pricing that involves making a service more expensive at times of peak demand to curb that demand.

C. Schools

Is capitalism the answer to poor school performance? The idea was unthinkable a few decades ago, but some increasingly frustrated parents and school boards have adopted a free market “fix.” Schools are experimenting with market-based approaches such as for-profit web-based classes, open enrollment (students attend the school of their choice regardless of their place of residence), charter schools (funded by taxes but freed of much government oversight), and vouchers (students “spend” their taxpayer-provided dollars on the school of their choice). Experts believe that direct payments alone do not lift results, but when combined with tutoring and other support tactics, learning may be strengthened.

***Privatize Higher Education?***

The Anderson School of Management at the University of California at Los Angeles (UCLA) received permission in 2013 to substantially privatize its prestigious MBA program. Those opposing Anderson’s privatization fear that UCLA’s responsibilities for the general welfare may be replaced by the more self-interested goals of those running the program, its donors, and the business community. Of course, the long-term interest of the Anderson School is in taking only those steps that strengthen the school’s performance and reputation in a highly competitive MBA market, and even in its self-sufficient/privatized mode, the Anderson School continues to be a part of UCLA and the University of California system.

**D. Privatization a Success?**

Privatization often brings substantially reduced costs and improved expertise, but sometimes the transition does not work well. Some privatization efforts, such as Florida’s plan to lease its “Alligator Alley” toll road, fail because of an absence of private-sector bids. Some projects do not generate the anticipated savings. Although more than 30 states contract with private prisons, a 2011 study in Arizona found little or no savings in doing so even though private prisons often “cherry pick” the least expensive prisoners.

***Firefighters Watch a House Burn***

Obion County, Tennessee, firefighters drew national attention in 2010 and 2011 when they allowed two rural family homes to burn to the ground because the families had not paid their $75 annual subscription fee to the city-operated fire department. Apparently, no one was seriously injured in either fire. The homeowner in the 2010 blaze, Gene Cranick, said that he offered to pay the fee on the spot, but the fire department declined and engaged the fire only to the extent necessary to protect the property of a neighbor who had paid the fee.

[Source: Jason Hibbs, “Firefighters Watch as Home Burns to the Ground,” WPSD Local 6—News, Sports, Weather—Paducah, KY, September 30, 2010 [<http://www.wpsdlocal6.com/>; Timothy W. Martin, “Putting Out Fires for a Fee,” Wall Street Journal, March 12, 2012 <http://online.wsj.com/news/articles/SB10001424052970203961204577269591267553530?mg=reno64-wsj.>]

## Part Three—Collectivism: Increase Government?

The term *collectivism* embraces communism and socialism and similar philosophies on the left side of the political/economic spectrum. Collectivist systems feature economic cooperation and varying degrees of centralized control as contrasted with capitalism’s economic individualism and political freedom.

### **I. Communism**

Although China, Cuba, North Korea, Vietnam, and a few other nations continue to practice communism, the balance of the world has clearly rejected Marxist-Leninist totalitarianism. China is rapidly and enthusiastically embracing free market practices, with continuing state direction; a strategy that some label *state capitalism.* Fidel Castro’s departure from the Cuban presidency in favor of his brother Raul has resulted in initial free market reforms. For the first time in 50 years, Cubans are now allowed to buy and sell houses freely as well as used cars. Communist Vietnam is also embracing elements of capitalism. Nike, Samsung, and smartphone component suppliers for Apple are among the manufacturers drawn to Vietnam for its relatively low wages and stable political environment.

**A. Communist Principles**

Karl Marx, along with Freud and Einstein, is among the thinkers who most profoundly shaped the 20th century. He felt that the pursuit of wealth and self-interest would erode society’s moral core. He built an economic interpretation of history, arguing that “the mode of production in material life determines the general character of the social, political, and spiritual processes of life.”

[For an introduction to Marxist thought, see <http://www.cla.purdue.edu/English/theory/marxism/>]

***Communism to Capitalism: A Bumpy Road***

People in former communist nations in Eastern Europe, including Romania, Poland, Hungary, the Czech Republic, and Russia, report mixed feelings as they look back on the years following the fall of the Berlin Wall and the end of the Cold War between the former Soviet Union and the Western European/American allies.When dictatorships were replaced by democracy, the initial reaction was euphoria, but in subsequent years some nostalgia for the certainties of communism has emerged. High unemployment, poverty, and harsh cuts in public spending have dashed the high hopes for post-communist prosperity. Many in Eastern Europe yearn for the comfort of state-provided health care and education and state-subsidized goods and services, but the evidence suggests they tend to forget about the poor quality of those goods and services, state censorship, the absence of freedom, and fear of the state.

Sources: Michael J. Jordan, “After the Berlin Wall, Nostalgia for Communism Creeps Back,” *The Christian Science Monitor*, November 8, 2009 [<http://www.csmonitor.com/2009/1109/p11s01-woeu.html>] and Rossen Vassilev,“The Tragic Failure of ‘Post-Communism’ in Eastern Europe,” Global Research, March 8, 2011 [<http://www.globalresearch.ca/the-tragic-failure-of-post-communism-in-eastern-europe/23616>]

### **II. Socialism**

Socialists rejected communist totalitarianism and embraced democracy, while calling for aggressive government intervention to correct economic and social ills. Socialists aim to retain the benefits of industrialism while abolishing the social costs often accompanying the free market. The government is likely to be directly involved in regulating growth, inflation, and unemployment. In the contemporary Western world, Austria, Norway, Denmark, Sweden, South Africa, Finland, and France are among the nations where socialist principles have retained a significant presence.

**A. Socialist Goals**

A critical distinction between socialists and capitalists is that the former believe a society’s broad directions should be carefully planned rather than left to what some take to be the whimsy of the market. Furthermore, socialists are convinced that problems of market failure mean that the free market is simply incapable of meeting the needs of all segments of society.The socialist agenda includes the following elements:

* **Liberty**—to a socialist, the freedoms of capitalism are largely an illusion, accessible only to the prosperous and powerful.
* **Social welfare**—Socialists believe that the economy must be directed toward the general interest rather than left free to multiply the welfare of successful capitalists. Hence they advocate income supports, free education, free health care, and the like to correct the failures of capitalism.
* **Fulfilling work—**socialists object to the harshness of working life where a large segment of society is chained to degrading labor.
* **Community**—socialists seek a communitarian approach to life where the excessive individualism of capitalism is muted by a concern for the welfare of all.
* **Equality**—class distinctions are anathema to the socialist. All humans are equally meritorious, and distinctions among them are inherently unjust.
* **Rationality**—socialists fear the “irrationality” of a society based on competition and unrestrained pursuit of industrial growth.

***Socialism in South America***

Recently deceased President of Venezuela Hugo Chavez hoped to build a “21st century socialism” in South America that would elevate the poor—forgotten by “savage capitalism”—while leading his country and neighbors including Bolivia, Ecuador, Honduras, and Nicaragua away from American dominance. Chavez nationalized many companies and redistributed land from the government and private owners to the poor. Critics say he stifled dissent, took control of almost every government institution, and subjected the nation to double-digit inflation, food and power shortages, a devalued currency, and a murder rate that has doubled in recent years. At this writing in 2013, Chavez has been succeeded by former Vice President Nicolas Maduro, who seems to share Chavez’s ideology.

Sources: Associated Press, “Chavez Asserts: We’ll Bury Capitalism,” The Des Moines Register, July 19, 2010, p. 10A; Editorial, “The State Department Responds to Repression by Hugo Chavez,” The Washington Post, January 4, 2011[<http://www.washingtonpost.com/>]; Juan Forero, and “Venezuela Tries to Create Its Own Kind of Socialism.”

**III. Coping with Capitalism—China and Russia**

A. China—Economics

China and some other nations practice what is sometimes labeled “state capitalism” in which the government is the dominant economic force as it intervenes in and shapes the market to further the state’s political goals.

State-owned firms control about 30 percent of the Chinese economy with about 120 giants controlled by the central government and about 150,000 smaller, state-owned companies. Huge sectors of the economy are dominated by government entities.

**Problems**

China faces many problems, particularly as it attempts to balance its export-led economy with increased domestic consumer spending. Stunning levels of environmental pollution; stock market manipulation; dangerous foods and drugs; rampant piracy of software, movies, and music; and government corruption are among those difficulties. Basic social support structures like affordable access to health care, unemployment insurance, and pensions remain inadequate.

**Changing Labor Markets**

Low wages, often difficult working conditions, and a rapidly shrinking supply of young laborers (the result of strict family planning policies) have caused unrest among workers leading to occasional strikes and some increase in wages, although those wages remain low relative to the economy’s overall health. China’s reliance on cheap labor to drive its economy is threatened as other nations are able to undercut the Chinese advantage. Despite China’s renewed global prominence and its stunning economic advances, record numbers of professionals reportedly leave annually.

B. China—Politics

**Freedom**

China remains a dictatorship governed by the Communist Party. Repression is common. The government controls the media as evidenced by censorship battles between the Chinese government and Internet news sources such as Google, *The New York Times,* and *Bloomberg,* each of which has been blocked attimes. China uses its “Great Firewall” of Internet censors to filter search results, particularly those addressing politically sensitive themes.

**Reforms**

Even as China has rejected calls to guarantee freedom of speech and move toward democracy, the Communist Party leadership recognizes the need for gradual change. In a bid to stimulate a slowing economy, China announced in late 2013 that it would open state industries to greater private-sector competition while also easing some limits on foreign investment.

Still Communist Party bosses use the law as a means of social control, repression remains common, and governance by the rule of law, where no person or political party is above the law, is not yet the case in China. [For the latest Chinese news, see <http://thebeijingnews.net>]

***Visit Mom and Dad***

China’s Buddhist heritage commands extraordinary respect for parents, but effective July 1, 2013, a new Chinese law requires attention to parents 60 and older and living on their own. Family members “should often visit or send regards to their parents,” and they must attend to their parents’ “spiritual needs” and must not “overlook” or “neglect” them. The law does not specifically define those new expectations. Some Chinese are troubled that their nation may have reached the point where it must force filial piety by law, but others suspect the state is simply looking for a way to sustain a swelling elderly population as the workforce shrinks, in part as a consequence of the official “one child” population control policy.

C. Russia—Economics

Russia remains a developing nation with a total economy about one-eighth the size of the U.S economy. With only a brief bump during the Great Recession, Russia has used its vast natural resources to buy increased prosperity and achieve a balanced budget with near full employment. At this writing in 2013, however, growth has slowed and Russian president, Vladimir Putin, has proposed borrowing from Russian pension reserves to modernize the famous Trans-Siberian Railway.

The Russian government controls about 50 percent of the nation’s economy, a presence that many economists believe must be reduced if Russia is to encourage foreign investment and maintain a vibrant economic future. A big threat to Russia’s long-term economic welfare and national stability is its aging population, now at about 143 million and growing slightly, but projected to decline to 116 million by 2050. Life expectancy declined to 69.7 years in 2012. Russia’s population dilemma is at least significantly attributable to a national culture of drinking and smoking that has contributed to a life expectancy for Russian men of only 60 years.

D. Russia—Politics

Russia’s future economic success is intimately tied, of course, to its political processes. The state needs to win over foreign multinational investors who fear political tyranny and domestic corruption. The Russian government’s centralization of economic power has been accompanied by tightened control over politics, courts, activists, and the mass media.

At this writing in 2013, hundreds of Russian civil organizations have been subjected to “inspections” for “political activity.” Critics question whether state capitalism as practiced in Russia can succeed in the face of political repression, routine corruption, and abuse of the rule of law.

## Part Four—Middle Ground? A Mixed Economy (The Third Way)

Communism has failed. Socialist principles, to the extent that they require central planning, bloated bureaucracies, and restraints on personal freedom, are discredited. An era has passed, but the shape of the future is unclear. The state capitalism of China, Russia, and other nations has little appeal in America and Western Europe and yet America’s brand of free market capitalism has lost a great deal of luster in the recent financial collapse and the ongoing Great Recession. For years, the Nordic states of Sweden, Norway, Denmark, and Finland practiced their market socialism or social democracy with such success that it was labeled a “Third Way” between the harsher extremes of capitalism and communism. Their welfare states provided healthy economic growth with cradle-to-grave social care for all in a system emphasizing the collective welfare over individual preferences.

A. Sweden

Life expectancy in Sweden is 81.28 years, as compared with about 78.62 years in the United States. The government provides education, health care, child care, maternity and paternity leave and unemployment protection, and more. Government incentives promote preferred behaviors. For example, the Swedish government will pay 80 percent of a parent’s salary (capped at $65,000) for up to 13 months of parental leave from work. Overall, the parental leave policy has contributed to Sweden’s standing as a world leader in gender equality. About 72 percent of working-age Swedish women work at least part time.

***Gender Equality***

Sweden aggressively encourages gender equality. Believing boys have an unfair edge, eradication of gender stereotypes has become a key ingredient in Swedish education. At Stockholm’s “Egalia” (equality) preschool, for example, the staff avoids using the words “him” or “her” and addresses all children as “friends.” Children’s books often feature homosexual couples, single parents, or adopted children and classics like Cinderella are shunned. Egalia’s methods are controversial, even in Sweden.

**Taxes**

To pay for its cradle-to-grave welfare benefits, Sweden takes about 45 percent of its national income (gross domestic product-GDP) in taxes, while the United States, in contrast, has one of the developed world’s lowest total tax burdens at about 27 percent of GDP in recent decades, but down to about 24 percent during the recession. In order to keep its economy healthy, Sweden has followed a policy of comparatively low total corporate taxes. Sweden’s economic performance over the past 20 years has been among the strongest in the world.

One expert attributes the Third Way success to “lavish” spending on research and development and higher education. Thus, for Sweden and the other Scandinavian states, wise government spending is a key ingredient in a successful market-based economy. One should remember, of course, that Sweden is a small, homogeneous nation. Replicating its policies in the United States would be difficult.

***Speeding Ticket***

Ferrari-driving millionaire, “Roland S.” was fined $290,000 in 2009 for speeding 60 miles per hour through a small village in Switzerland where the speed limit was 30. In their verdict, which was subject to appeal, judges labeled the driver a “traffic thug.” The fine reflected a 2007 Swiss law allowing judges to hand down fines in certain misdemeanor cases based on personal income and wealth. “Roland S.” was worth some $20 million, and he was a repeat offender. The maximum Swiss fine is $1 million, while Germany permits as much as a $16 million fine. France, Austria, and the Nordic nations also permit punishments based on personal wealth. (Source: Frank Jordans, “Rich Driver Hit with $290,000 Speeding Ticket,” *The Des Moines Register*, January 11, 2010, p. 1A.)

**I. American Capitalism in Europe?**

In building entrepreneurial spirit, personal freedom, and personal wealth and income, the United States is the clear world leader, but the EU’s very powerful, 28 nation, over 500 million person bloc generates a gross national product slightly larger than the United States and more than three times that of India or Japan. Europeans choose to work less than Americans, and as they see it, enjoy life more. Their economy is less flexible than that of the United States and typically produces fewer jobs, but it is also less harsh. Universal health care, job protection and strong unemployment benefits are part of the European identity.

**Welfare Reform**

Europe’s warmer, more communal values and practices are inviting, but the ongoing recession has resulted in an EU unemployment rate of more than 12 percent and the need for Eurozone economic bailouts of nearly bankrupt economies in Ireland, Greece, Spain, and Portugal. Youth (age 15–24) unemployment at over 23 percent for the EU generally and nearing 60 percent in Spain and Greece has produced something approaching a “lost generation” in some countries.

These struggles have also sharpened the divide between the more prosperous northern European nations and the struggling south. Austerity, that is, higher taxes and sharp cutbacks in government spending, has been implemented in the struggling nations.

**EU Failure?**

The Great Recession has shaken the European Union. Yale professor Nicholas Sambanis argued that the European Union’s problems extend beyond economics to its very identity. Compounding their economic challenges, many European nations are struggling to assimilate immigrants and to become comfortable with growing Muslim populations, as pointedly noted by German chancellor Angela Merkel:

This multicultural approach, saying that we simply live side by side and live happily with each other, has failed. Utterly failed.

**A. Contrasting Values**

Obviously, both Europe and America are struggling in this troubled time, but which vision of life seems most promising over the long term? American commentator and social activist Jeremy Rifkin contrasted the American and European “Dreams” such as—wealth/Individual success vs. quality of life, growth vs. sustainable development, and so on. Rifkin thinks the European strategy is the better one.

***Is the Welfare State a Key to Personal Happiness?***

Denmark turns out to be the happiest place on Earth, according to a 2013 United Nations study of global happiness in 156 countries. The top of the happiness list includes: 1. Denmark, 2. Norway, 3. Switzerland, 4. The Netherlands, and 5. Sweden, all northern European states with strong welfare principles. Broadly, good health, education, freedom, and wealth are associated with happiness, but wealth seems to increase happiness only up to a point.

2011 *Wall Street Journal* survey of happiness research raised a cautionary note by drawing a distinction between a purposeful life and a happy life. Mounting evidence suggests that people who focus on a meaningful life, while sometimes sacrificing happiness feelings in the moment, may be healthier, live longer, and have a greater sense of well-being over time than people who focus on short-term feelings of happiness.

## Part Five—America’s Economic Future: Where Are We Going?

**How Much Government?**

This section starts with the following questions being posed to the students—should Americans expand their faith in free market capitalism, or do they need to move their present mixed economy a bit closer to the welfare state model, which itself is under great pressure? Or must a new model emerge?

**Good News**

Much of the world strives to achieve America’s blend of entrepreneurial capitalism along with intellectual and pop culture leadership. Indeed, recent polling data ranked the United States first among the nations of the world in helping others (donations, volunteering, and aiding strangers).

**I. The American Dream at Risk?**

Globalization and new technology, in the short run at least, have chipped away at the American job market. Labor unions have lost much of their power. The American multinational giants seem to be more interested in investing abroad than in America.

The core of America—the middle class—and the very idea of the American Dream seem at risk. The middle class struggle has been particularly damaging to those younger than 35, whose net worth, for the typical family, fell by 68 percent between 1984 and 2009, after adjusting for inflation. The section ends with a question about whether there should be doubts about the top-to-bottom fairness of the American system.

A. Overall Quality of Life

According to a United Nations 2013 report on overall quality of life (based on income, life expectancy, etc.), the U.S. is doing very well, ranking third behind Norway(1st) and Australia(2nd), but when the scores are adjusted for inequality in health, education and income the United States ranks 16th in the world in overall human development behind Norway(1st), Australia (2nd), and Sweden (3rd), among others.

In general, the United States ranks well on standard economic measures and not so well on standard social measures. In 2013 estimated life expectancy, the United States ranked 51st at an estimated 78.62 years while Japan, for example, ranked 3rd at an estimated 84.19 years. Among the most discouraging U.S. performances is in the category of infant mortality where 50 nations do a better job of keeping babies alive than America does.

Some trends portend a worrisome future. The United States ranks fifth in the world in total spending for education, but young adult college completion rates have fallen to 14th globally. Family structures are changing dramatically. Marriage itself is in decline, particularly among those who are not well educated.

B. Poverty

Four out of five U.S. adults, for at least a part of their lives, are on welfare, unemployed, or facing near poverty, according to a 2013 study. Fifteen percent of Americans fall below the official government poverty line ($23,021 for a family of four in 2011), but that number understates the magnitude of the problem.

The result of these dismal economic conditions is that poor people, as commentator Paul Krugman explained, live in a separate America. Of course, America’s poorer people live better than the bulk of the citizens of the world. Thus, many Americans lead surprisingly harsh lives, and their prospects for the future are not as bright as theAmerican Dream suggests.

***Pets or People?***

People in America may not take the best care of their disadvantaged fellow Americans, but they seem to be unstinting in generosity toward their pets. Americans in 2011 spent nearly $61 billion on their pets, a sum that exceeds the gross domestic product of all but about 70 nations.

Sources: Danielle Kurtzleben, “Americans Spend $61 Billion on Pets,” US News and World Report, May 22, 2013 and “GDP—Official Exchange Rate 2013 Country Ranks,” Countries of the World]

C. The Gaps

Extravagant wealth, side-by-side with punishing poverty, is perhaps the greatest disappointment and injustice, from the critics’ point of view, in the global advance of capitalist principles. The wealthiest 1 percent of Americans now have a greater collective net worth than the bottom 90 percent. Income inequality in the United States is the largest among Western industrialized countries. It should be noted, however, that the rich-poor gap has been growing in most industrial nations, including the Scandinavian states. The average CEO pay has risen from about 20 times the average worker’s pay in 1965 to about 273 times today (down from a high of 383 in 2000).

**Practicing Ethics: The Moral Decline of White Working-Class America?**

Libertarian scholar Charles Murray in his controversial book, *Coming Apart: The State of White America, 1960–2010* points to declining moral values in that group as a crucial factor in American inequality and reduced mobility. He provides evidence of an alarming fall in white working-class social capital (neighborliness and civic engagement) prompted by decreasing industry, community, religion, and marriage. Murray does not ignore similar problems in the black working class, but his focus is on white people.

**C. Community**

American capitalism, despite its extraordinary success, is criticized for problems of poverty, inequality, and unfairness, among others. Perhaps the more interesting concern, however, is mounting evidence that the lives of Americans are increasingly solitary, distant, alone, and unshared. The market is driven by and rewards individual achievement.

Only 30 percent of Americans, according to a 2008 study, report a close confidant at work, down from nearly 50 percent in 1985, and workers in many other nations are much more likely to have close friends at work than are Americans. American workers report inviting 32 percent of their “close” colleagues to their homes, while Polish and Indian workers report inviting more than double that percentage.

**D. Declining Social Capital?**

In his now famous book, *Bowling Alone*, Robert Putnam meticulously documented the decline of what he labeled social capital, the community and commitment bonds that seem to emerge in a culture where people regularly interact with one another. Putnam’s book explains that virtually every measure of social interaction, from voting to picnics to playing cards, to church attendance, to membership in social clubs fell significantly from roughly 1975 to 2000.

Putnam’s more recent research has produced no convincing evidence of rising community engagement among adults, but he acknowledges they are reaching one another in different ways from the past, principally through social media. In contrast to Putnam’s discouraging assessment, Americans say they trust their neighbors (76 percent) and talk with them frequently (44 percent); these self-reported measures of neighborliness have been rising recently.

**An Opportunity Gap and Declining Community?**

Putnam has for the last few years been collecting data about the growing gap in opportunities among socioeconomic classes of American children. The more comfortable class of children receive about one hour per day more time with their parents than do less advantaged children.

Young products of affluent America have steadily deepened their community engagement (going to church more, better connecting to their parents, volunteering) while the less affluent young whites have withdrawn or never undertaken that engagement. That disparity in involvement is not present among young blacks, but the overall engagement gap between whites and blacks is wide.

**Practicing Ethics: Technology and Loneliness**

Since publishing *Bowling Alone*, Robert Putnam has spoken about the need to develop new kinds of connections when old ones die. A 2008 survey of American adults found 60 percent saying that new technologies had not affected the closeness of their families and a 2011 study found that self-reported feelings of empathy were higher among college students the more time they spent on Facebook. However, MIT professor Sherry Turkle says people have sacrificed conversation for “mere connection.”

Sources: Charles M. Blow, “Friends, Neighbors and Facebook,” *The New York Times*, June 11, 2010 [<http://www.nytimes.com>]; Shirley S. Wang, “Could Those Hours Online Be Making Kids Nicer?” *The Wall Street Journal*, August 16, 2011, p. D1; and Donna St. George, “Internet, Cell Phones May Strengthen Family Unit, Study Finds,” [washingtonpost.com](McAdams_11e_IM_Ch01.doc), October 20, 2008, p. A07.

**II. Too Much Capitalism? Or Too Little?**

Many questions have been posed in this section, such as—Has America placed too much faith in the market and too little in government? Is the alleged decline in community a product of capitalism itself? Are poverty, inequality, crime and the Wall Street collapse inevitable by-products of a “selfish, greddy” market? Can robust capitalism be sustained if it produces not just efficiency and growth but also extreme income and wealth gaps, corruption, and injustice? Can people tolerate capitalism’s collapses and injustices? Can the market be improved through judicious regulation? Or must people look for new answers?

**A. A “Remix” Needed?**

According to a 2013 nationwide Marist Poll, 55 percent of Americans favor free enterprise and fear expanded government regulation of business Perhaps some form of “re-mix” is needed. Journalist Anatole Kaletsky reminds one that capitalism is adaptive, reinventing itself through crises. Kaletsky thinks his Capitalism 4.0 should involve smaller, smarter governments, less reliance on theory, and greater recognition of the need for pragmatic change.

**B. A New World Consensus?**

In his book *The End of the Free Market,* political scientist Ian Bremmer says capitalism may have established its claim as the best economic system, but the world is still in conflict over whether Western capitalism is the best political-social-economic system. As *New York Times* columnist David Brooks explained in reviewing Bremmer’s work, the world now seems to be divided into a pair of general camps. *Democratic capitalism* in the United States, Japan, Denmark, and other nationsfavors business to create wealth and government to regulate as needed. *State capitalism* in countries such as China, Russia, and Saudi Arabia employ the market to build wealth which, in turn, is controlled and distributed by the state for its political purposes. The two systems trade with each other for mutual advantage but are economic and political rivals.

***Individualism Up, Morality Down?***

Scholars now have access to a giant Google database of 5.2 million books published between 1500 and 2008. They can type in a word and see how frequently it has been used over the years. One study looking at 1960 to 2008 found individualistic words (e.g., self, standout, unique) were used more frequently over those 48 years whereas communal words (e.g., collective, common good, band together) declined in use. Another study found that general moral terms (e.g., virtue, decency, conscience) and words associated with moral excellence (e.g., honesty, patience, compassion) receded in use over the course of the 20th century.

# Internet Exercise and Supplements

## Answer to Internet Exercise (p. 39)

1. Some of the criticisms found on the site, <http://www.globalpolicy.org>, **[**<http://www.globalpolicy.org/globalization/globalization-of-law.html>; <http://www.globalpolicy.org/globalization/globalization-of-politics/movement-for-global-justice.html> ] include: Global capital undermines local and national politics; no effective administrative structure regulates global businesses; globalization is a source of repression and causes suffering, disorder and unrest; globalization uproots old ways of life, threatens traditional livelihoods and cultures. Students should discuss their view of the merits of several of these (or other) criticisms of globalization.

John Feffer’s argument that the E.U. should be more influential than the U.S. in world affairs is based on such facts as: one in eight United Nations countries is an E.U. member state; the E.U. market is the world’s largest multinational market; the euro is a stronger currency that the U.S. dollar; Europeans work fewer hours than Americans, live longer, and have a smaller percentage of poor in its population; the U.S. has a higher government debt and a larger trade deficit; a recent poll indicates that 34% of Americans agree that Europe should be the dominant global policy maker. Again, students should discuss their views on the merits of several of these observations.

## General Suggestions for All Internet Exercises

1. Require students to identify certain basic information on each project, including a full internet address, identification of last date accessed, and who/what organization maintains the web server on which the article was found (e.g., news organization, nonprofit organization, private individual, educational institution, for-profit corporation). Where a particular exercise has students choosing what website to use, it is also useful to require that students supply a copy of the actual first page as part of the assignment.

## Student Projects

1. One student in each class can be required to bring to class a web article related to that chapter's topics.

2. Students can select a public corporation of their choosing (e.g., an industry or company they are interested in) and be required to do all/some of their course web projects from the point of view of that company/industry.

3. Find a report on the internet demonstrating an example of a foreign country extending capitalism in that country. How is what that country is doing now different from how it acted previously?

4. Have the class build and maintain a class web page with links to websites found by students.

## Supplemental Web Addresses

### Net search engines:

<http://www.google.com>

<http://www.yahoo.com>

<http://www.altavista.com>

<http://www.lycos.com>

### Online information for individual companies, accessed (mostly) by company name—

<http://www.sec.gov/edgar/searchedgar/webusers.htm> (EDGAR Database of corporate information)

<http://www.commerce.net> (CommerceNet; links to business home pages, earnings and annual reports)

### News sources online:

<http://www.nytimes.com>

<http://csmonitor.com>

<http://www.bloomberg.com>

<http://www.washtimes.com>

# Answers

## Answers to ‘Greed’ Questions (p. 5)

1.Students’ answers will vary. Some of them may say that the concentrated financial sector in the U.S. is a threat to economic growth and stability. Some of them may also mention that mergers and acquisitions pose a threat to national economic development and growth. Some others may say that the Dodd-Frank Wall Street Reform and Consumer Protection Act includes provisions designed to reduce the likelihood of big bank failures, although the implementation of the new law has been troubled. Federal regulators in 2013 proposed requiring the biggest banks to increase their capital on hand substantially to guard against unexpected losses and reduce the risk to the American economy.

Increased capital reserve requirements have helped to address some of the “too big to fail” concerns, but even conservative Republican Congressman and former businessman, Darrell Issa suggested in 2011 that some financial institutions might be encouraged to break themselves up. (See Edward Wyatt, “With Issa Leading, Oversight Panel Eagerly Begins Its Work,” *New York Times*, January 26, 2011 [<http://www.nytimes.com/>])

Kansas City Federal Reserve Bank President Thomas M. Hoenig: “More financial firms—with none too big to fail—would mean less concentrated financial power, less concentrated risk and better access and service for American businesses and the public. Even if they were substantially smaller, the largest firms could continue to meet any global financial demand…”

Thomas M. Hoenig, “Too Big to Succeed,” *The New York Times*, December 1, 2010 [<http://www.nytimes.com>].

Of course, the market seems clearly to be calling for ever bigger banks, and any kind of government intervention would be considered a further betrayal of market principles. Giant size is considered necessary to be fully competitive in a global market whether the banks of other nations have likewise grown prodigiously.

2. The students could have a discussion on the greed of financial leaders and greed’s role in the fiscal crisis.

As to the system being “rigged,” Cullen Roche at *The Pragmatic Capitalist* website offers a balanced analysis:

“[T]he government promotes this huge financial industry through lax regulation and consumers have rewarded the financial sector by taking on excessive debt and paying exorbitant fees for their services.” He goes on to say that the growth in financial services may reasonably be attributed to a growth in demand and a natural response to U.S. progression to an increasingly wealthy, service-based economy. But Roche says, even if reasonable is that direction desirable?

“As a society we have to ask ourselves if this financial behemoth is sustainable and in the best interest of the future of America? Are these high rewards disproportionate to their social productivity? Are we becoming a system that diverts excess capital from long-term investment into short-term unproductive casino-like activities?”

Source: Cullen Roche, “The Financial Industry Is Not the Engine of Capitalism” *Pragmatic Capitalism*, January 28, 2011 [<http://pragcap.com/>].

*The New York Times* reports that CEOs of major corporations (not limited to banks) made as much or more in 2010 as they had been making prior to the recession. Fourth quarter, 2010 American business profits were up 29.2 percent, which was the fastest growth in more than 60 years. Executive pay increased by 12 percent over 2009. At the same time, unemployment remained at 8.8 percent nationally. [Source: Daniel Costello, “The Drought Is Over (at Least for C.E.O.’s), *The New York Times*, April 9, 2011 [<http://www.nytimes.com/>].

Pertaining to whether people can continue to count on the market to properly distribute pay, a 2009 Gallup Poll found 59% of Americans favoring government action to limit executive pay. Source: “Most Americans Favor Government Action to Limit Executive Pay,” *Ethics Newsline*, June 22, 2009 [<http://www.globalethics.org/>].

The Dodd-Frank financial reform bill contains shareholder “say on pay” provisions applying to all publicly traded U.S. corporations. Among other provisions, shareholders will have the right to express dissatisfaction with executive pay and will have mechanisms to add their own candidates to board elections. Some skepticism about the effectiveness of the new measures seems prudent.

The European Union in late 2010 likewise approved new rules on bonuses in the banking community providing, among other things, that 40-60% of bonuses must be deferred for between three and five years and most employees earning bonuses can receive no more than 20% to 30% in upfront cash. Source: “Bankers’ Bonuses to Face ‘Dramatic’ Change in Europe,” *BBC News Business* [[**http:www.bbc.co.uk/**](http://www.bbc.co.uk/)].

## Answers to ‘Vast Resources’ Questions (p. 6)

1.Ed Miliband refers to the need for a more responsible capitalism.

## Answer to ‘Man’s Rights’ Questions (p. 10)

1.

a. According to the 2002 Index of Economic Freedom, developed by the Heritage Foundation and The Wall Street Journal, the world is growing increasingly freer. Worldwide, 73 countries received better scores that in the previous report, while 53 received worse scores. The 2008 Index of Economic Freedom also reports that the rest of the 20% of the world’s economies have twice the per capita income of those in the second quintile and five times that of the least-free 20%. See Mary Anastasia O’Grady, “The Real Key to Development,” *Wall Street Journal* 9P. A13 (January 15, 2008).

b. Based on the Index of Economic Freedom, Hong Kong, Singapore and New Zealand, were all rated above the U.S. in economic freedom. Tied with the U.S. were Estonia, Ireland, Luxembourg, and the Netherlands.

2.

a. Banks said her nephews felt rejected, “like we didn’t matter,” when cut in front of, but when she shifted to the carpool lane on the drive home, they were exultant. Robert Niles, editor of Theme Park *Insider* said, as a businessperson, he understood the practice because: “Equitable treatment of customers has long since disappeared. Everybody is trying to de-bundle things and squeeze out as much money as they can.” As a father, however, he noted how much fairness means to little children and how hard it is to explain why some are able to step in ahead of others waiting on line. (Source: Sandy Banks, “When Money Talks to Kids,” latimes.com, April 17, 2010 [<http://www.latimes.com/>].)

b. Students’ answers will vary. Of those readers responding to the *Parade* question, 34% said, “Yes” and 66% said, “No.” [Source: “Should Drivers Who Pay More Get a Faster Lane?” *Parade*, October 19, 2008, p. 22.]

c. DeSimone did not become governor of Nevada. He said cars would need to pass a safety inspection, vehicle information would be loaded into a database, and drivers would buy a transponder for their cars. They would then dial in, have a $25 fee charged to the credit card and be allowed to drive up to 90 mph for 24 hours. The Nevada Highway Patrol objected on safety grounds. [Source: “Nevada Candidate: Let People Pay to Legally Go 90 MPH,” *The Des Moines Register,* September 5, 2010, p. 2A.]

3.

a. Students’ answers will vary. Kids need to learn the lessons taught on the playground. For example, when one gets pushed down, one learns to pick oneself up and get back in the game. One also learns to defend oneself while being willing to compromise and not hold a grudge. Preventing play will protect against children’s injury in the short term, but will make their lives more difficult in the long term as they face disappointment and defeat as adults. The physical benefits of rigorous exercise and play are also diminished when playgrounds are heavily regulated.

b. Students’ answers will vary. The students could have a discussion based on this question.

**Answer to ‘Free Market Solution to the Baby Shortage?’ Questions (p. 11)**

These questions are likely to give rise to emotional responses and perhaps hesitance by some students to voice their opinions. Therefore, it might be best for the instructor to first allow each student to reflect on his or her own responses in writing, either in-class or as homework, and then have students in class meet in pairs or triads to discuss their responses.

1.

a. Technically, the donor’s time is sold, but clearly the industry has emerged as a market for eggs with buyers coming from around the world.

b. The students could have a discussion based on this question. According to USA Today, one experienced donor, at the University of California, Berkeley, says she isn’t worried about health risks and doesn’t have moral qualms. “What makes a child your child is that you raise it,” she says. Her eggs are “just DNA.”

2.

a. The students could have a discussion based on this question.

b. The students could have a discussion based on this question.

3. The students could have a discussion based on this question. In small groups, students might be asked to identify topics for regulation of the fertility industry, and then they could share these with the class. The groups could then be asked to “draft” a regulation on the topic which was most commonly identified, as revealed from the class discussion. These draft regulations could then be shared and discussed with the class. Ask students to consider whether and how the fertility industry might “police itself” through ethics initiatives.

4. The following excerpt has been taken from Thomas Frank’s, writing in *The Wall Street Journal*:

“If surrogacy ever becomes a widely practiced market transaction, it will probably make pregnancy into just another dirty task for the working class, with wages driven down and wealthy couples hiring the work out because it’s such a hassle to be pregnant.”

Journalist Alex Kuczynski, having hired a surrogate mother for her biological baby, regarded the process as “organ rental” and saw the surrogate as “the biological baby sitter, for my baby.” She also explained that the surrogate could make very good use of the money.

[Source: Thomas Frank, “Rent-a-Womb Is Where Market Logic Leads,” *The Wall Street Journal*, December 10, 2008, p. A17.]

5. The students could have a discussion based on this question.

## Answers to ‘Room for Big Ideas’ Questions (p. 13)

1. The students could have a discussion based on this question. Some of them may bring up a few points such as—“Boldness of enterprise is the foremost cause of [America’s] rapid progress, its strength and its greatness,” that Alexis de Tocqueville wrote nearly a couple of centuries ago or that “A few ridiculously ambitious people can change an economy more than any president.” Some others may say that government should pitch in to minimalize the negative consequences.

## Answers to ‘Toll Roads, Parking Meters, and Congestion Pricing’ Questions (p. 14)

1. The students could have a discussion based on this question. One factor to consider is whether the “congestion fees” are being charged on roads and highways built with government funds.

2. The golf courses are probably subsidized because they tend to be used by people of influence and by seniors, the demographics of whom give them a lot of say at the ballot box. Other arguments one might propose to continue such subsidies are as follows—many recreational opportunities are supported by tax dollars and this is just one example; it encourages users to stay fit (particularly our elders); if young people could be encouraged to take up golfing, it might give them another way to keep out of mischief.

3.

a. A number of nations have successfully privatized their postal service. *The Washington Post* explained the Swiss approach as follows:

Europe’s increasingly privatized mail services offer exciting examples of postal possibilities in the 21st century. They are leaner and greener than the U.S. service because they work with, not against, the Internet. Switzerland’s Swiss Post, for example, employs green technology, providing customers with secure, address-linked online mailboxes where they can view scanned images of their mail and decide whether to virtually ‘open’ it, discard it or have it physically mailed to them.

(Source: Editorial, “Too Big to Mail?” *The Washington Post*, June 22, 2009 [<http://www.washingtonpost.com/>].)

b. A UPS spokesman said, “We believe that the government plays a role in terms of ensuring that every mailbox is reached every day,” “That is not a responsibility that UPS would want.”

A U.S. Postal Service spokesman said, “If the system was privatized, it might cost 44 cents to get a letter across Los Angeles, but $5 to get it to Connecticut [from Los Angeles].” (Source: David Lazarus, “Time to Privatize the Postal Service?” *latimes.com*, December 20, 2009 [[http://www.latimes.com/business/la-fi-lazarus20-2009dec20,0,6521326.column](http://www.latimes.com/business/la-fi-lazarus20-2009dec20%2C0%2C6521326.column)].)

**Answers to ‘Privatize Higher Education?’ Questions (p. 15)**

1.

a. Students’ opinions will vary. Depending on the school, a for-profit approach could well reduce student costs, in part by greater reliance on technology and larger classes.

b. Perhaps students could usefully think about what current services, amenities, and defining characteristics of college life would persist in a for-profit environment.

c. Students in public colleges and universities should think about how their behavior and expectations would change if they were responsible for the entirety of their expenses (in the absence of state-support). Presumably, they would demand more of their institution.

2. Steven Pearlstein says, “Indeed, the real potential of for-profit schools is their focus on teaching and learning. Unlike traditional universities, they have been aggressive in finding ways to use technology to cut costs and achieve economies of scale. They make extensive use of videotaped lectures and online interactive tests. Classes often “meet” online, as well as in classrooms, and there are teaching assistants available 24/7 to help students with homework. All of this works particularly well for introductory courses, as well as for those that are part of professional training and certification.” [Source: Steven Pearlstein, “Despite Scandal, for-Profit Education Offers Valuable Model,” *The Washington Post*, August 11, 2010, p. A12.]

**Answers to ‘Firefighters Watch a House Burn’ Questions (p. 16)**

1.

a. The service would probably fail financially if homeowners were allowed to pay for it only when needed. A middle ground might have involved putting out the fire with the homeowner paying the actual cost or the actual cost plus a premium.

b. Students’ opinions will vary. Increasing privatization and reliance on free market principles in government practice presumably would lead to more disciplined provision of services and perhaps sounder financial management. That direction might also work a significant hardship on those less able to pay.

2. Students’ opinions will vary. Privatized fire protection is increasingly common in the western United States where governments sometimes supplement public resources with private contractors. Insurance companies, including Chubb, Fireman’s Fund and AIG, hire private fire services to help protect expensive homes in fire-prone areas. In some communities, private companies have begun selling fire service directly to homeowners to supplement municipal protection.

3. Critics worry about the quality of that private sector service and whether increasing private protection will gradually erode public protection. The result might be that fire protection would be available to or be considerably better for the wealthy, while poorer residents may be threatened by reduced service or are completely left out. Source: Peter Funt, “Privatizing Fire Protection,” *The Boston Globe*, June 30, 2009 [<http://www.boston.com/bostonglobe/>].

**Answer to ‘Communism to Capitalism: A Bumpy Road’ Question (p. 19)**

1. Students’ opinions will vary.

**Answer to ‘China—Politics’ Question (p. 23)**

1. Students’ answers will vary. According to Wadhwa, China is not innovating and they haven’t gotten ahead of their copycat status. [http://www.thomascrampton.com/china/vivek-wadhwa-china-is-not-the-new-silicon-valley/]

**Answers to ‘Russia—Politics’ Questions (p. 24)**

1. Students’ opinions will vary. With regard to China, critics of the policy say that China’s fertility rate is lower than the official estimate, thus reducing the overpopulation risk. Of course, the population policy has led to widespread abortions; particularly of females. China’s population has remained relatively stable in recent decades.

Ted Turner in 2010 argued for worldwide adoption of the Chinese policy as a way of reducing the environmental damages, including greenhouse gas emissions that accompany a growing population. (Source: Christian Boone, “Ted Turner: Adopt China’s One-Child Policy to Save Planet,” *The Atlanta Journal-Constitution*, December 7, 2010 [<http://www.ajc.com/>].)

With regard to Russia, Medvedev pointed to the nation’s aging population of 142 million, but he also noted a recent upturn in Russia’s birthrate. Critics point out that many Russians simply cannot afford to have even a first child and that the nation’s population, according to official estimates could shrink to 137 million by 2020. (Source: Andrea Peters, “Russian Government Warns of New Arms Race” *World Socialist Web Site*, December 2, 2010 [<http://www1.wsws.org/>].)

2. Students’ answers will vary. Rodrik says that Chinese dominance is possible only if it continues its current economic progress while maintaining social cohesion. Rodrik argues that anything less than robust growth, perhaps as much as eight percent annually, could lead to social unrest. Avoiding that unrest is expected to be difficult given the inequalities and social divisions that mark Chinese life. Maintenance of the current repressive political system also is expected to be challenging.

If China is able to continue its current progress, Rodrik says that global democracy and human rights may lose some of their luster. Rodrik claims that Americans and Europeans “blithely assume” that China will become more like the West as it gets richer, but he points to journalist and scholar Martin Jacques (author of *When China Rules the World*), who says that everything would change with China at the top of the global pyramid. Rodrik explained Jacques’ view as follows:

The Chinese and their government are wedded to a different conception of society and polity—community-based rather than individualist, state-centric rather than liberal, authoritarian rather than democratic.

Gone will be the evangelism of markets and democracy. China is much less likely to interfere in the internal affairs of sovereign states. But, in return, it will demand that smaller, less powerful states explicitly recognize China’s primacy.

Jacques points to China’s 2,000 years of history as evidence that it will not simply bend to and absorb western values. Source: Dani Rodrik, “Will China Rule the World?” *Project Syndicate*, January 12, 2010 [<http://www.project-syndicate.org/commentary/rodrik39/English>].

3. The sanctions led to a credit crunch for banks and companies, falling oil prices among other things. The effect of sanctions are likely to have significant long-term impacts. Students’ answers will vary for the second question. Some of them may say that such sanctions should be allowed as a part of international response to particular government actions, and that it is a very effective way to deal with international situations. Others may be of the opinion that there may be unforeseen consequences to these sanctions, and that it is too harsh a punishment.

**Answer to ‘Speeding Ticket’ Question (p. 26)**

1. Students’ opinions will vary. The wealth-based ticket policy reflects the communal values of northern Europe. Those values apparently do not enjoy majority support in the United States.

**Answer to ‘Is the Welfare State a Key to Personal Happiness?’ Questions (p. 28)**

1 & 2. The students could have a discussion based on these questions.

## Answer to ‘Pets or People?’ Question (p. 33)

1. One way to address a better life for poor children is to develop a program of conditional cash grants to families (with the money going to mothers, typically) as is being done successfully in Brazil, Mexico and other nations, according to a 2011 *New York Times Report*. Brazil’s Bolsa Familia (Family Grant) and Mexico’s Oportunidades give regular government payments to poor families if they meet certain requirements such as keeping kids in school, getting regular medical checkups, and learning about nutrition. About 50 million Brazilians are covered. They receive on average only $13 monthly for each child attending school, up to three. The World Bank and the Inter-American Development Bank are working to spread these programs, and about 40 nations are participating. The results for the relatively modest investments, according to the evidence to date, include declining child labor, kids staying in school, reduced teen pregnancy, and improved health.

[Source: Tina Rosenberg, “To Beat Back Poverty, Pay the Poor,” *The New York Times*, January 3, 2011 [[http://opinionator.blogs.nytimes.com/](http://opinionator.blogs.nytimes.com/2011/01/03/to-beat-back-poverty-pay-the-poor/)].

## Answers to ‘Practicing Ethics: The Moral Decline of White Working-Class America?’ Questions (p. 34)

1. Students’ answers will vary. Students might agree with Murray that the erosion of traditional middle-class morals/values helps explain inequality in contemporary America. They may say that the traditional values such as marriage, religion, honesty, and hard work were the fundamental elements that helped the middle class. Some of them may disagree with Murray and agree with Thomas B. Edsall that “Murray demonstrates an insensitivity to the psychologically debilitating effects of the disappearance of decent-paying manufacturing and production jobs for those who are not college-educated, and the painful sense of status dislocation that haunts those who are cast off. He makes almost no reference to the past 40 years of deindustrialization or globalization.”

2. Students’ answers will vary. They may agree with Murray that cognitive ability or IQ has played a role in increasing the inequality in American life. They may also mention factors such as globalization, change in work culture, and so on.

3. Students’ answers will vary. Some of them may say that a large and growing gap in income and wealth in America is an ethical wrong. They might say that this is a result of unequal opportunities. There might be other students who opine that this is a natural outcome in society.

**Answers to ‘Declining Social Capital’ Questions (p.35)**

1.

a. The students could have a discussion based on this question. It may be useful to have students consider whether there are new forms of social interaction that are arising—e.g., chat rooms, coffee houses, health clubs—which are at least not mentioned in the reading.

b. The students could have a discussion based on this question. In pairs, triads, or small groups, students might be asked to create an argument, supported by examples from their experience or knowledge, to contradict Putnam’s finding regarding ethnic diversity’s negative impact on community trust and involvement.

2.

a. Students’ answers will vary. Students could use points, in their discussion, from Lawton’s elaboration on his thesis: Americans harbor an ethos of individualism. And while this stubborn self-reliance may be key to some of their economic success, it’s a poor way to develop a sense of brotherhood. In fact, it often leaves people emotionally reclusive and alone.

There’s a scintillating charisma to the way Ghanaians greet one another and aid one another, and it’s something that I wish Americans would harness. We cannot be forever imprisoned in the archetype of lonely, stubborn cowboys…

(Source: Dan Lawton, “In Ghana, No One Is a Stranger for Long,” *The Christian Science Monitor*, November 9, 2009 [<http://www.csmonitor.com/2009/1109/p18s01-hfes.html>].)

b. Students’ answers will vary. They might say that the American culture promotes individualism. Hence, this might be a reason why Americans seem to be “standoffish and lonely.”

**Answers to ‘Practicing Ethics: Technology and Loneliness’ Questions (p.36)**

1. Students’ answers will vary. Some students may agree with Turkle that people have sacrificed conversation for mere connection. Students may cite instances from their own lives or from their observation of other people to substantiate their point.

2. Students’ answers may vary. Students may cite the negative or/and positive effects of excessive reliance on social technology. For example, students may cite a 2008 survey found 60 percent American adults saying that new technologies did not affect the closeness of their families. Whereas other students may cite the example of a 2009 Pew report found that social networking users are 26 percent less likely than others to turn to their neighbors for companionship.

**Answers to ‘Individualism Up, Morality Down?’ Questions (p. 38)**

1. Students’ answers will vary. Students may agree with David Brooks and say that society has become more individualistic, it has also become less morally aware, because social and moral fabrics are inextricably linked. The atomization and demoralization of society have led to forms of social breakdown.

2. Students’ answers will vary. Some students may take the conservatives’ view as quoted by David Brooks— “if we could just reduce government to the size it was back in, say, the 1950s, then America would be vibrant and free again. But the underlying sociology and moral culture is just not there anymore. Government could be smaller when the social fabric was more tightly knit, but small government will have different and more cataclysmic effects today when it is not.”

## Answers to Questions—Part One (p. 8)

1. The students could see the Templeton website for a variety of responses.

2. Ahmadinejad said: “We have to draw up programs based on Islamic economic thinkers. That way we can guide people to happiness, security, justice and honesty.” (Source: Scott Peterson, “Iran’s Ahmadinejad: Capitalism Is Dead,” *The Christian Science Monitor*, November 9, 2009 [<http://www.csmonitor.com/>]). Admadinejad may or may not actually believe what he has said, but the students should be reminded that capitalism is constantly evolving. New regulatory measures in the U.S. and the EU exemplify the ongoing balancing and re-balancing of the market—government relationship. At the same time, the emerging struggle between democratic capitalism and state capitalism suggests another potent stream in capitalist evolution.

3. Skidelsky thinks that life is increasingly unsatisfying in that current incentives to increase wealth undermine one’s capacity to enjoy it. In the rich countries at least, capitalism may be exhausting its capacity to create a better life; by which he means a more ethical life rather than a more materially comfortable life. Material gain at some point no longer satisfies. He calls for “dishonoring” greed and providing motives and incentives for behaviors unconnected to wealth accumulation.

## Answers to Questions—Part Two (p. 16)

1. A discussion on the importance of private property rights in protecting the citizens from arbitrary abuse by the government and in protecting propertied individuals from the “predations” of the unpropertied masses should be encouraged.

2.

a. Altruism has been defined as the unselfish regard for or devotion to the welfare of others.

b. Refer to the section titled “Man’s Rights” for this answer.

3. The students could have a discussion based on this question.

4.

a. Left to the private sector, presumably we would see more amusement parks (Disney World, King’s Island, etc.) and fewer nature preserves (Yosemite, Yellowstone).

b. Presumably the market would support some such parkland, either on a profit-making basis or from private contributions.

c. Beyond the general free market argument against compulsory taxation, one would argue that the parks serve the interest of the middle class, who have the resources to travel to remote parklands. Arguably, the majority of the citizenry would derive more benefit from metropolitan park space.

5. A variety of free market alternatives might step in, such as competitors informing the public about dangers. A firm’s own self-interest might militate against the production of dangerous products. Because a market for information would exist, private sector testing firms might be created. To some extent, the citizenry would probably become better educated on the safety issues that are involved.

6-9. The students could have discussions based on these questions.

10. Self‑reliance would be strengthened, since public sector assistance would not exist. So some of the poor might be motivated to exert more effort to care for themselves. Barter arrangements would be likely to increase. Extended family and charitable organizations might also play a larger role.

11. The students could have a discussion based on this question. They could also discuss about whether this trend would lead to a more isolated society and a further break down in community.

12. New York City officials announced that the payments would be discontinued in August 2010 and that they had no specific plans to continue the program using public money. However, they do intend to follow-up with the participants through 2013 to see if their longer-term behaviors changed. Some behaviors improved a bit, but most changes were not large. Broadly, the program was not deemed successful in encouraging improved school performance or in keeping a job.

Mexico, Brazil and other nations use a similar approach with more successful results, particularly over the longer term. Some confusion and mistrust slowed the New York City program. Its supporters think a longer-term effort would be necessary in order to achieve stronger results. (Sources: Associated Press, “N.Y.C. Pays Poor for Good Habits, but Incentives Don’t Always Work,” *The Des Moines Register*, March 31, 2010, p. 10A and Julie Bosman, “City Will Stop Paying the Poor for Good Behavior,” *The New York Times*, March 30, 2010 [<http://www.nytimes.com/>].)

## Answers to Questions—Parts Three and Four (p. 29)

1.

a. Soros seems to equate market fundamentalism with religious fundamentalism. Extreme and single-minded fidelity to market principles will, he believes, undermine the general welfare. He thinks that the market is naturally amoral. As a result, absolute commitment to the market would lead to a culture without fundamental guiding values or principles.

b. The students could have a discussion based on this question.

2. Business does not regulate itself in the public interest—both fraud and criminality may be rewarded with profits. See, Arthur Schlesinger, Jr., “Government Isn’t the Root of All Evil,” *Wall Street Journal*, Jan. 30, 1998, p. A14. There are several areas in which the free market may not function effectively: (1) The market’s distribution of resources is often arbitrary (i.e., not inherently fair); (2) market mechanisms contribute to the “prisoner’s dilemma”; (3) markets do not correct for information failures. See Peter L. Strauss, “Review Essay: Sunstein, Statutes and the Common Law—Reconciling Markets, the Communal Impulse and the Mammoth State,” *Michigan Law Review*, Vol. 89, No. 4, Feb. 1991, pp. 907-23.

3.

a. The students could have a discussion based on this question.

b. Assuming Americans are more tolerant of unemployment, some of the reasons would be as follows: (1) Broadly, Americans take an individualistic, capitalistic view of life where personal accomplishment, hard work, profit seeking, etc., are highly esteemed. The Swedes have a more communitarian view of life where concern for the total welfare is perhaps more pronounced than is the case in the United States. (2) Of course, the United States is a young nation founded by explorers, adventurers, those seeking justice, etc. Sweden is a much older society with what is now a very long, and well-settled, communal value system. (3) Sweden is a thoroughly homogeneous society while the United States is the world’s great melting pot. Hence some of the social divisions that profoundly influence public policy in the United States simply are not an issue in Sweden.

4. Students’ opinions will vary. Some students may agree and say that it would slow the world’s economic growth and innovation over a period of time if the U.S. adopted the Scandinavian “cuddly capitalism.” Some of them may also say that technological advances, in an economic system that generously rewards successful innovators, spill over to countries who have adopted the cuddly capitalism policies that helps to balance out the world’s economy. They may say that if cuddly capitalism is adopted in all countries then it might reduce economic growth in all nations. Some others may take a humanitarian view and say that there should be equality and that poverty should be eradicated. (Source: Lane Kenworthy, “Will everyone be worse off if the United States turns Social democratic?” September 29, 2012)

5. The students could have a discussion based on this question.

6.

a. The students could have a discussion based on this question.

b. Scialabba says that inequality is not inherently unjust, rather that what “is immoral is not that some people have too much but that other people have too little; the one is not always the cause of the other.” Further, “a first approximation to economic justice would seem to be: a decent minimum for everyone, and then let government “*laissez faire”*, or mind its own business.”

7. The students could have a discussion based on this question. The cited commentator viewed favorably the changes in baseball’s labor agreement to give a greater distribution of revenue than previously, giving more teams a chance at success and more hope to their fans.

8. Students’ opinions will vary. Apart from increasing companies’ administrative costs, the fat tax that was introduced in Denmark made people cross the border to satisfy their unhealthy eating habits. (Source: Olga Khazan, “What the world can learn from Denmark’s failed fat tax,” The Washington Post, November 11, 2012.)

## Answers to Questions—Part Five (p. 38)

1. Students’ opinions will vary. Bremmer seems to say that state capitalism is likely to have a shorter lifespan than democratic capitalism. He says state capitalism has limited appeal to the masses because it is designed to benefit the state leaders and their political interests. Further, he sees state capitalism as a kind of zero sum game where the benefit to some must come only from damage to others. See Matthew Rees, “Politicians as Plutocrats,” *The Wall Street Journal*, May 19, 2010, p. A17.

2.

a. Students’ opinions will vary.

b. Students’ opinions will vary. Cohen thinks not: “But some new balance between state and market, one that provides toilets as well as cellphones, awaits definition. Dignity should not be incompatible with opportunity. We don’t need to look too far back in time to see the violent consequences of financial collapse and social disaggregation…Private networks alone cannot salvage the commonweal.” See Roger Cohen, “Toilets and Cellphones,” *The New York Times*, May 24, 2010 [[http://www.nytimes.com/](http://www.energizethechain.org/news/2014/7/2/nytimes-op-ed-toilets-and-cellphones)].

3.

a. The students could have a discussion based on this question.

b. Students’ answers will vary. Some of them may disagree and take William Bennett’s view that the economic market of profit maximization may result in devaluing of qualities, such as civility and decency that the market may not accurately recognize and measure. Also that the core American values of integrity, kindness, concern for others, and the like, are being eroded by popular culture messages of selfishness, immediate gratification and license. A particular worry is the fact that much of that popular culture is directed to youths.

4. Students’ opinions will vary. Prime Minister David Cameron’s remarks to the February 5, 2011 Munich Security Conference provide some insight from the conservative perspective: In the UK, some young men find it hard to identify with the traditional Islam practiced at home by their parents, whose customs can seem staid when transplanted to modern Western countries. But these young men also find it hard to identify with Britain too, because people have allowed the weakening of their collective identity. Under the doctrine of state multiculturalism, one has encouraged different cultures to live separate lives, apart from each other and apart from the mainstream. One has failed to provide a vision of society to which they feel they want to belong. One has even tolerated these segregated communities behaving in ways that run completely counter to one’s values. (Source: “PM’s Speech at Munich Security Conference,” *Number 10.gov.uk*, February 5, 2011)

## Answers to Chapter Questions (p. 39)

1. The students could have a discussion based on this question. It might be useful to add to the discussion the old saying, “you can’t take it with you.”

2.

a. Students’ answers will vary. They may quote what Samuelson said: “Companies may mistreat workers, cheat consumers or ruin the environment.” “Also people often find the free market inhumane” because of its “harshest effects: joblessness, poverty or unattended suffering.” Robert Samuelson, “Economics Made Easy,” *Newsweek,* November 27, 1989, p. 64.

b. A 2007 Harris Poll found less than 50 percent of adults in the six countries surveyed say capitalism is the best economic system. (Great Britain, 25%; France, 34%; Italy, 36%; Spain 49%; Germany, 48%; United States, 49%). However, the 2005 global poll results, indicated strong support for capitalism, especially in Asia.

c. In the five European countries surveyed, less than 20 percent of the public think their governments have more power than multi-nationals. In the U.S., 30 percent believe this. The balance of the respondents think multi-nationals have either as much power as government or more.

3.

a. Students answers’ will vary. They could use the following points in their answers—“Nearly all additional wealth created in the USA since 1989 has gone to people 55 and older, according to Federal Reserve data. Wealth has doubled since 1989 in households headed by older Americans. Not so for younger Americans. Households headed by people in their 20s, 30s, and 40s have barely kept up with inflation or have fallen behind since 1989. People 35 to 50 actually have lost wealth since 1989 after adjusting for inflation, Fed data show.” Source: Dennis Cauchon, “Generation Gap? About $200,000,” *USA Today*, May 21, 2007, p. 1A.

b. This is an opportunity for students to talk about what they feel they have “earned,” and where they feel their lives fall short of their own standards and of societal expectations.

4.

a. Students’ answers will vary. They may mention the following—the Supplemental Nutrition Assistance Program (SNAP), Earned Income Tax Credit (EITC), Medicaid, and so on. (Source: Benjamin H. Harris, A Dozen Facts about America’s Struggling Lower-Middle-Class, *Brookings*, December 4, 2013)

b. Students’ answers will vary. Some of them may feel that it is unfair to pay more taxes because the government is “wasteful and corrupt.” (Source: Eduardo Portere, The Great American Tax Debate, *The New York Times*, September 18, 2012.)

5.

a. Thurow argues that the current economic system is no longer congruent with traditional nuclear family values. For example, 32% of all men from 25 to 34 earn less than the amount necessary to keep a family of four above poverty level in the U.S. The current economy sends women the message to go to work to help make the money the family needs to survive; men have an economic incentive to abandon family because they raise their own standard of living when they do so. These forces combine to create more single-parent families and more latchkey kids.

b. Spock argues that it is a result of America’s heritage. “[T]he U.S. was made up of pioneering individuals who saw it as a place to make progress, as a major opportunity for material gain. They left the old, spiritual values behind for this.” Carla McClain, “Dr. Spock: Restore the Family,” *Des Moines Register*, November 7, 1993, p. 3E.

c. Students’ answers will vary. They could have a discussion based on this question.

6. Wood cites research findings pointing to lack of health insurance, big disparities in income and opportunity, obesity and high premature birth rates. She also points to social analyst John de Graaf’s view that America gives too much attention to economic growth and too little to health and well-being at the personal level, in work, and in public policy.

7. The students could have a discussion based on this question.

8.

a. Students’ opinions will vary. Proponents in Nevada claim prostitution currently operates unregulated and effectively “legalized” in Las Vegas and Reno. Legalization would allow increased protection for sex workers while generating state tax revenue. Opponents regard legalized prostitution as exploitation of women.

b. For libertarians, any diminution of personal freedom for adults not willfully causing harm to others entails a risk to fundamental American principles, but state advocates point to the importance of the family in maintaining a strong society. Concern particularly extends to children who might be less cared for in the absence of state-sanctioned and community-recognized marriage. Marriage encourages people to fulfill the commitments they have made thus protecting children and spouses who are dependent on those commitments.

9. See David Warsh, “How Selfish Are People—Really?” *Harvard Business Review,* May-June 1989, p. 26. In reviewing Robert Frank’s book, *Passions Within Reason: The Strategic Role of the Emotions* (New York: Norton & Company, 1988), Warsh summarizes Frank’s argument that emotions are an evolutionary method of ameliorating selfishness. Frank begins by explaining that emotions are real; that they do exist. They are not merely “fuzzy thinking.” People pity the homeless, people seek to aid the endangered, and so on. Then thinking as an “evolutionist,” Frank (as summarized by Warsh) explains the purpose served by those emotions.

The answer he gives is that the highly useful function of the emotions is precisely to short-circuit narrowly self-interested behavior, because honest and helpful people are those whom everyone wants for partners, and because nobody messes with people who get angry when they are crossed. It is well known that the ball hog doesn’t make the team, that, in the end, the utter egoist doesn’t win at romance, the existence of mitigating emotions is evolution’s way of making people more “*fit* partners.”

10. Students’ answers will vary. They may say that the reasons for this gap include—labor market barriers to women have been lowered, higher incidence of school behavioral and disciplinary problems among boys, and so on. They may say that this might be an indication that there will be more working women than men in future. (Source: Mark Hugo Lopez and Ana Gonzalez Barrera, Women’s college enrollment gains leave men behind, Pew Research Center, March 6, 2014.)

11.

a. Evidence suggests that mothers are likely to show more responsibility than fathers in spending. Thus, some agencies are directing aid preponderantly toward women. Microsavings programs have also proven helpful in encouraging savings among poorer people. Kristof says that mounting evidence points to the value of microsaving rather than the more publicized microlending as a key to financial advances for impoverished people. Those programs likewise are being directed more toward women than men.

b & c. Students’ opinions will vary.

12.

a. The students could have a discussion based on this question. Friedman is pointing out that Americans, though of diverse cultural backgrounds, generally share many ideological values. Whether these values are also “spiritual” may not be generally accepted.

b. The students could have a discussion based on this question.

13.

a. Students’ answers will vary. Some of them may say that America’s free market economy will help the economy prosper in future.

b. Students’ answers will vary. Students may say that there should be a balance between economic prosperity and social security, adopting a mix of principles of the free market economy and the welfare state model.

14. The students could have a discussion based on this question.

15.

a. Students’ answers will vary for the second part of the question. The United States, Germany and Japan are examples of highly-ranked “useful” nations. Brazil, Italy, Thailand, and Jamaica, they say, are considered predominantly “decorative.”

b. The United States is the most admired nation with the best overall brand. The U.S. ranks highly in both usefulness and decorativeness.

16. The students could have a discussion based on this question.

17.

a. The students could have a discussion based on this question.

b. Collectivism would encourage the eradication of the “artificial” individuality acquired primarily via the purchase of goods (clothing, cars, etc.). Then, if it is human nature to wish to distinguish oneself, people would presumably need to look to the “higher order” individuality of independence in thought and deed.

18. The students could have discussions based on these questions.

19. The students could have discussions based on these questions.

20. See Gary S. Becker, “Why Not Let Immigrants Pay for Speedy Entry?” *Business Week*, March 2, 1987, p. 20. Among the advantages cited by Becker are—speedy entry for those not favored under the current system; raise several billions in revenue (assuming 40,000 additional immigrants at $50,000 each); and a new supply of ambitious, energetic, skilled immigrants.

On the other side, the essential argument is that the precious right to citizenship should not be for sale to those with financial clout. In the article, Becker counters that all immigrants “pay” in one way or another for their citizenship.

21. The students could have a discussion based on this question.

# Supplementary Materials

## I. Ayn Rand (p. 9)

Should you or your students wish to read more of Ayn Rand’s views, a collection of her essays, *The Virtue of Selfishness,* and her novels, *Atlas Shrugged* and *The Fountainhead,* ordinarily are well received by mature students. Barbara Branden’s biography, *The Passion of Ayn Rand* (New York: Doubleday, 1986), provides an entertaining picture of the novelist/philosopher. Of course, Rand (1905-1982) was dismissed by her critics as an ideologue and an arbitrary “pop” philosopher. If preferred, the instructor could direct the students’ attention to Milton Friedman and other free market theorists.

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