

## **A. MACROECONOMICS: INVISIBLE HAND TO INTERVENTION**

Focus on Western Europe (WE) and North America economic development

### **1. 18<sup>th</sup> Century: Laissez-faire and Mercantilism**

Household-based economy

- Macro =  $\Sigma$  micro markets
- Focus was on local markets in short run
- Efficiency: Household, firm, maximization
- Mercantilism dominant economic model motivating empire-building through exports > imports to colonies; acquisition of precious metals

### **2. 19<sup>th</sup> Century: Industrial Revolution**

Capital (technology) added value to output supplanting labor

- Marxism critique of capitalism: workers loose power relative to employers–capitalists
- Colonial oppression as an extension of Mercantilism and gold standard
- Business, financial cycles: wage fluctuations; interest rates attract financial, real capital
- Public and private transportation, communication infrastructure financed by debt
- Corporate (trusts) structure: limited liability of owners/managers through debt and equity

### **3. 20<sup>th</sup> Century: Mixed Economy Develops**

Role of Gov't increases

- Gov't countervailing power to 'Big Business'; use of tariffs to regulate trade
- Technological growth accelerates productivity, in developed, but not developing countries private sector (AT&T, IBM, Exxon, GM, GE) and public sector (NASA, DoD, funding of basic research)
- Liberalism: Labor, progressive movements in US; socialism in WE; EU/EMU in WE replace Communism in Soviet Union; PRC transitions to more market orientation
- Nationalism leads to growth of military power (WWI, WWII, cold war, regional wars)
- Keynesian intervention through fiscal policy (gov't spending and revenue) seek to reduce recessions
- Central banks develop monetary policy tools to manage interest rates, money supply to address inflations
- De-regulation, globalization, reduction in trade barriers (GATT, WTO, EU, regional pacts) increases mobility of financial capital and destabilization of floating currencies

### **4. 21<sup>st</sup> Century**

Computer-based technologies evolve

- Continued technological (productivity) change in private sector (Microsoft, Apple, HP, Meta-Facebook, Alphabet-Google)
- Emergence of service sector replacing manufacturing as source of employment, income
- Increased role for gov't severing link between benefits (spending) and costs (tax revenue)
- Ideology becomes basis for policy rather than response to economic characteristics
- Bubbles spread quickly and creative policies take time to ameliorate