

The World Economy

TEACHER GUIDE: ASSESSMENT ANSWERS

List possible actions that conservatives and liberals would propose in response to each of the scenarios below. Provide a rationale for each response that reflects the political philosophy.

Scenario 1: Due to a strong economy, the Congressional Budget Office projects a budget surplus of \$100 million that will continue to grow at a rate of 10 percent per year for 20 years.

Conservative Perspective:

Conservatives would advocate for a tax cut because they typically favor lower taxes. Although they would generally oppose increased spending, they might accept more spending on national defense or to support business growth.

Liberal Perspective:

Liberals might also argue for a tax cut, but would also propose new spending on social programs. They would see the budget surplus as a chance to address some social problems like poverty and unemployment.

Scenario 2: Legislation has been submitted in Congress to allow parents to take off up to a year to stay home with a newborn child at 75 percent of their salary that would be funded by employers.

Conservative Perspective:

Conservatives would not support the legislation because it would place a tremendous burden on businesses.

Liberal Perspective:

Though Liberals would probably support the intent of the legislation, they probably would feel that it went too far. They may share conservative's views that the burden on business would be too great.

Scenario 3: Congress is considering whether to extend "Most Favored Nation" trading status to China but not link it to improving human rights in the country.

Conservative Perspective:

Conservatives would see extending MFN status to China as opening up a huge market to American goods and services. They may not be willing to ignore the human rights issue, depending on current conditions.

Liberal Perspective:

Liberals would see a potential for opening markets to American companies, but would probably balk at human rights abuses.

Scenario 4: The city council is considering giving tax breaks to a company that would build a saw mill in the community, which would create a substantial number of jobs.

Conservative Perspective:

Conservatives would favor granting tax breaks in order to create jobs and build the economy. They may ask for some assurances that the impact on the environment will not be too great.

Liberal Perspective:

Liberals would likely oppose the proposal in order to protect the environment. Severe economic conditions in the area could force them to accept the proposal.

Scenario 5: In 1932, the nation's unemployment rate climbed to 24.1 percent compared to 8.9 percent only two years before.

Conservative Perspective:

Conservatives proposed programs to help businesses, which in turn resulted in more jobs. They also believed that help for those in need should come from private charitable organizations.

Liberal Perspective:

Liberals advocated for government programs to put people back to work. They would favor government intervention into the economy to a greater extent than conservatives.

Scenario 6: A proposal in Congress seeks to repeal the North American Free Trade Agreement.

Conservative Perspective:

Conservatives would oppose the repeal of NAFTA because it would reduce trade between countries. They would like to see as little government intervention as possible.

Liberal Perspective:

Liberals would favor repeal if they believed it would result in more jobs. They may also support the repeal based on poor working conditions in other countries.

Scenario 7: A Congressional proposal would eliminate the progressive federal income tax and replace it with a flat tax.

Conservative Perspective:

Conservatives would support the flat tax as long as it reduced taxes.

Liberal Perspective:

Liberals would oppose the flat tax because they generally believe in a progressive tax that taxes poorer people at a lower rate than more wealthy taxpayers.

Scenario 8: A Congressional proposal would eliminate all immigration laws and allow anyone to enter the country.

Conservative Perspective:

Conservatives would oppose eliminating immigration rules because it would result in increased numbers of immigrants that could place a strain on social institutions. Like Liberals, they would favor better enforcement of current laws.

Liberal Perspective:

Liberals would oppose eliminating all immigration laws but, like conservatives, they would favor better enforcement of current laws.