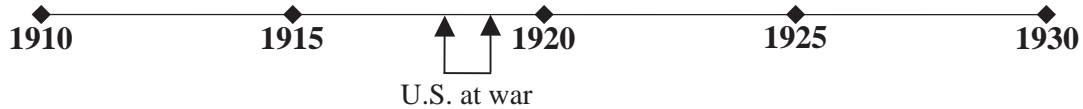


LESSON 2: DOMESTIC ECONOMIC POLICIES DURING WORLD WAR I

Student Handout 1



You are President Wilson in 1917. The United States is at war on the side of Britain and France with Germany, Austria-Hungary, and Turkey. The stakes couldn't be higher—victory is essential for the sovereignty of your allies and your own political survival. To achieve victory, you have make more than just military decisions—your economic policies will also help determine the outcome.

PROBLEM 1—GOVERNMENT AND BUSINESS

You need to make sure your soldiers have enough equipment and supplies. However, the government does not have the ability to produce these goods itself—it must rely on American businesses. Which of the following will you do in terms of government and business? You can choose more than one.

- A. Let the market determine the production of goods. If demand is high for some products, such as artillery shells, the price will go up. Businesses, wanting to make big profits, will supply the needed shells.
- B. Establish a government agency to work with businesses. Together, the agency and businesses would decide how much of each product should be made and at what price. The agency would also help businesses decide which products they should not manufacture during wartime so they can focus on war-related production.
- C. Offer generous government contracts and award the contracts to the companies that offer the best deals to the government
- D. Have the government take over the production of goods needed for war. The government would take control of relevant business and convert them over to war production until the end of the war.

PROBLEM 2—GOVERNMENT AND FINANCING

Government spending has drastically increased since the war started. Which of the following will you do to help finance the war? If you choose a combination of A and B, what percentage of the financing will be raised by A, and what percentage by B?

- A. Increase taxes
- B. Appeal to the public's patriotism and encourage people to lend the government money by purchasing war bonds
- C. Do nothing—the problem isn't that serious. The government should buy materials for the war with its current budget. It shouldn't increase taxes or borrow money.

PROBLEM 3—GOVERNMENT AND LABOR

The production of the additional supplies needed for the war requires a tremendous amount of manpower. But a huge percentage of the workforce is leaving to fight the war. As a result, there is a shortage of workers when you need them most. What will you do about this labor shortage?

- A. Let the market work it out. Wherever there are labor shortages, wages will go up; higher wages will attract workers.
- B. Take the side of workers. Establish policies making sure wages go up enough to attract sufficient workers to fill all the military's needs.
- C. Take the side of business owners. Establish policies keeping wages down to entice enough businesses to fill all the military's needs.
- D. Set up a government board to oversee labor issues. Workers would be given the right to organize and bargain collectively. In exchange, workers would take a pledge not to strike during the war. The board would help settle labor disputes.
- E. Assume that workers know how to maximize production fairly, and help them to take over businesses in the industries most important to the war effort.