

Chapter 19: Technological Advances and Economics in the Global Age: 19-4a Free-Market Policies  
Book Title: The Earth and Its Peoples: A Global History 7th Edition Update, AP® Edition  
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## 19-4a Free-Market Policies

Skyrocketing oil prices, debts from the Vietnam War (in the case of the United States), and declining competitiveness against new Japanese and European businesses created a period of economic stagnation in the United States and United Kingdom that consisted of rising price levels with pervasive unemployment at the same time. Under these circumstances, a new cadre of politicians and economists rejected the old economic policies of fiscal stimuli that dated back to the New Deal. Instead, they pursued deregulation, the privatization of public services, the weakening or dissolution of labor unions, and tax cuts favoring the rich on the assumption that these tax savings would turn into investments and job growth. President Ronald Reagan and the United Kingdom's Prime Minister Margaret Thatcher (1925–2013) pursued these free-market—or neoliberal—policies aggressively, crushing the resistance of the labor movement in declining industries such as steel and coal, contributing to the proliferation of the financial services sector, and driving economic inequality between the top 1 percent and bottom 20 percent still further.

The United States pushed Latin American nations to reform their economies by removing limitations on foreign investment, eliminating many social welfare programs, and reducing public-sector employment (see [Chapter 18](#) for discussion of economic nationalism). Latin American governments responded by selling public-sector industries—like national airlines, manufacturing facilities, and public utilities—to foreign corporations. But popular support for these policies, what Latin Americans called [neoliberalism \(The term used in Latin America and other developing regions to describe free-market policies that include reducing tariff protection for local industries; the sale of public-sector industries, such as national airlines and public utilities, to private investors or foreign corporations; and the reduction of social welfare policies and public-sector employment. \(p. 575\)\)](#), eroded quickly due to political scandals over the terms of these sales of public properties and a slowing world economy. A catastrophic economic and political meltdown in Argentina between 2001 and 2002 contributed to the appearance of a reinvigorated nationalist left in Latin America that sought to roll back neoliberal reforms (see [Diversity & Dominance: The Struggle for Women's Rights in an Era of Global Political and Economic Change](#)). Among the most vocal critic of neoliberalism and American influence was Hugo Chávez (**HUGH-go CHA-vez**), elected president of Venezuela in 1998 and serving as the region's chief critic of U.S. policy until his death in 2013. Left-of-center presidents were later elected in Brazil (Luiz Inácio Lula da Silva, 2002), Argentina (Néstor Kirchner, 2003), Bolivia (Evo Morales, 2005), and Ecuador (Rafael Correa, 2007).

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