

Commanding Heights – Episode 2

– The Agony of Reform

Name: _____
Period: ____

Use the corresponding answers list to place the correct word, phrase or name in the blank. [If the blank has a colon after it, it will be the name of the person who said the following words.]

Chapter 1: Prologue [3:49]

1. BILL CLINTON, U.S. President, 1993-2001: You can't get away from the fact that globalization makes us _____, so it's not an option to shed it. So is it going to be, on balance, positive or negative?
2. JEFFREY SACHS, Professor, Harvard University: Part of what happened is a _____ revolution. At the end of the 20th century, the market economy, the capitalist system, became the only model for the vast majority of the world.

Chapter 2: The Ghosts of Norilsk [4:27]

3. NARRATOR: But the truth about the Soviet economy lay concealed behind the "_____."

Chapter 3: Behind the Iron Facade [8:18]

4. OLEG GORDIEVSKY: And the analyst said no, I can't put such a huge figure down because nobody would believe it. Later, economists realized that the Soviet Union had been spending at least 50 percent on the _____.
5. NARRATOR: Thanks to Gordievsky's intelligence, Western leaders realized that Soviet military might rested on a _____ economy.
6. NARRATOR: Soviet satellites circled the world, and nuclear submarines prowled the oceans. But after seven decades of _____, the real story of the Soviet economy was one of empty shelves and a standard of living that was a fraction of Western Europe's.
7. GRIGORY YAVLINSKY: The people don't want to work. The people have no _____. The economy inside which the people have no incentives have no future. So you can do two things: Take a gun and put this gun to his head like it was at the Stalin's time, or you have to give him incentives, because he wants to improve the life of his family, and he can't.

Chapter 4: India's Permit Raj [3:04]

8. NARRATOR: Like the Soviet Union, _____ had used central planning to industrialize its peasant economy and conquer poverty. Now India, like government-dominated economies all over the world, was running into difficulty.
9. NARRATOR: The British raj was gone. Now people were subjected to the "_____" because everything needed a government permit. India became a byword for red tape and bureaucracy. Businessmen found it almost impossible to get things done.
10. NARRATOR: Self-sufficiency was India's ideal. To protect its own manufacturing industry, India shut out foreign _____.
11. P. CHIDAMBARAM: Because of this _____ market, the Indian people were being given shoddy goods and services at very high prices. Enterprise was stifled, and growth was crippled.
12. NARRATOR: Take India's beloved _____ car. It is made by Hindustan Motors, which started manufacturing in the same year as Japan's Toyota. Fifty years later, Toyota makes five million cars a year. Hindustan sells 18,000 Ambassadors, and still to the same design.
13. MANMOHAN SINGH, Finance Minister, 1991-1996: If you have a controlled economy, cut off from the rest of the world by infinite protection, nobody has any incentive to, in a way... nobody has any incentive to increase _____, to bring new ideas.

Chapter 5: Latin American Dependencia [2:03]

14. DANIEL YERGIN: The _____ theory said that if you want to get high economic growth in your country, what you need to do is put up barriers, tariffs that restrict the flow of import into the country, develop and build your own domestic industries, and that if you don't do that, you're going to be victimized by world trade.

Chapter 6: Counterrevolution in Chile [3:30]

15. NARRATOR: By the early 1970s, Latin American economies were in trouble. Chile elected the Marxist president Salvador Allende. Allende's solution was not less government intervention, but more. Businesses were _____ or expropriated. Price controls were imposed. Civil unrest grew as the economy spun out of control.
16. ARNOLD HARBERGER: The only people who had a serious blueprint of how to get out of this were this group called the _____ Boys.

Chapter 7: Chicago Boys and Pinochet [8:16]

17. _____, Professor Emeritus, University of Chicago: What characterized the Chicago School was a strong belief in minimal government and an emphasis on free market as a way to control the economy.
18. NARRATOR: Friedman's first talk was at the Catholic University. His theme: the inescapable link between free markets and _____.
19. NARRATOR: According to the Chicago Boys, the gain was worth the pain. _____ became the fastest growing economy in Latin America.

Chapter 8: Heresy in the USSR [8:08]

20. _____, Economic Reformer: We were all in our 30s, researchers or teachers who specialized in the Soviet economy. We could see how it worked and were well aware of its weak points. I read books by Friedman and Hayek with great interest. They were our inspiration.
21. _____, General Secretary, Communist Party, 1985-1991: There was a government commission to examine the problem of women's pantyhose. Imagine a country that flies into space, launches Sputniks, creates such a defense system, and it can't resolve the problem of women's pantyhose. There's no toothpaste, no soap powder, not the basic necessities of life. It was preposterous and embarrassing to work in such a government.
22. MIKHAIL GORBACHEV: _____ was a reform that aimed at gradual political change to create an infrastructure for market economics. We had several generations with no experience of markets. You can't just announce the markets and see them appear overnight. I was actually saying it will take a generation for it to start working.
23. NARRATOR: Gorbachev faced mounting pressure from the West. The U.S. president believed in the economic philosophy of Milton Friedman and Chicago.

Ronald Reagan was not alone. He had a political soul mate in Margaret Thatcher. Britain's prime minister had already embarked on a radical free-market economic revolution at home. Thatcher and Reagan were determined to go on the _____ offensive. Their political rhetoric began to heat up.
24. _____, U.S. President, 1981-1989: What I am describing now is a plan and a hope for the long term, the march of freedom and democracy which will leave Marxism-Leninism on the ash heap of history, as it has left other tyrannies which stifle the freedom and muzzle the self-expression of the people.
25. _____: Up to that time, the whole doctrine had been one of "Contain communism." That wasn't enough for Ronald Reagan and me, and we thought we should make it quite clear to communism that it could and would never win, and that we would go and fight the battle of ideas between what the free world had to offer, compared with the dictatorship and tyranny and cruelty of communism.
26. NARRATOR: In 1987 President Reagan carried this war of words to the most symbolic section of the Iron Curtain: the _____.
27. _____: General Secretary Gorbachev, if you seek peace, if you seek prosperity for the Soviet Union and Eastern Europe, if you seek liberalization, come here to this gate. Mr. Gorbachev, open this gate. Mr. Gorbachev, tear down this wall.

Chapter 9: Poland's Solidarity [7:32]

28. NARRATOR: Margaret Thatcher carried the free-market message to _____ in 1988. Mrs. Thatcher had agreed to meet the Communist leadership provided she could also visit the port of Gdansk.
29. Almost a decade earlier, in 1980, shipyard workers here in Gdansk had taken a stand against Communist rule. They had struck against the price rises and food shortages caused by a crumbling economy. Their leader was an electrician named _____.
30. NARRATOR: Lech Walesa climbed the shipyard gate to announce a momentous victory. The workers had forced the government to recognize _____, the free labor union. "I declare the creation of a free union of workers. We now have the right to strike."
31. _____: If you have a free society under a rule of law, it produces both dignity of the individual and prosperity.

Chapter 10: Bolivia at the Brink [7:07]

32. _____, President, Bolivia: When I was going through college in Texas¹, the first question you'd be asked is "Who's the president of Bolivia this week?" Second question down the road was "You're from Bolivia -- what's the inflation rate in Bolivia this week?," because we had galloping hyperinflation that destroyed our economic base.
33. JEFFREY SACHS: He said: "Oh, that's very interesting. What do you have in mind?" And I described a few elements, basically how to stop _____. And he said: "No, no, you have to go much beyond that. You don't understand. We need so much more. You're just going on the surface. This country needs a complete overhaul. We've got to get out of the mess that we're in." I wasn't sure whether he was provoking me, whether he was kidding, whether he was sober, whether he knew what he was doing. It turned out that this was Goni, Gonzalo Sanchez de Lozada -- a genius.

¹ President Quiroga is an Aggie! He received his bachelors degree at TAMU. He then received a masters from St. Edwards University in Austin.

Chapter 11: Shock Therapy Applied [4:48]

34. NARRATOR: ____ therapy spelled the death of dependency theory. Government spending was slashed. Price controls were scrapped. Import tariffs were cut. Government budgets were balanced.

Chapter 12: The Miracle Year [6:57]

35. DANIEL YERGIN: Whenever Soviet power was challenged in Eastern Europe, the response was very clear. It was tanks; it was the Red Army. That was the case in Berlin in 1953, Budapest in 1956, Prague 1968. But the answer was different in Warsaw in 1989. Solidarity won 99 out of 100 seats. The head of the Polish Communist Party called Moscow for directions. Mikhail Gorbachev's answer was stunning: "Do nothing; accept the outcome of a free election." And that was really the phone call that ended the _____. And of course, the great symbol of the end of the Soviet empire was the fall of the Berlin Wall. One country after another broke free of communism -- Poland, Hungary, Czechoslovakia, Romania. 1989 was truly a miracle year.

Chapter 13: Poland in Transition [2:39]

36. JAN BIELECKI: You suddenly had thousands of people trading the same products in front of the state-owned shop, but at a much lower price. This is phenomenal, because it shows enormously ____ drive of the Polish people. When you have your five minutes, take it. When the Polish people finally got that opportunity, they took the chance. They used the chance.

Chapter 14: Gorbachev Tries China [7:17]

37. ____, U.S. Secretary of State, 1989-1993: We want to learn a little more about Mr. Yavlinsky's efforts. A country is trying to change 70 years of political and economic philosophy and change it in a way that moves it in exactly the opposite direction.
38. DANIEL YERGIN: ____ was an old-style Communist. He'd been very close to Mao Zedong, but he had fallen from power and had spent time when he was under house arrest, pacing around in the courtyard, thinking through what had gone, wrong; why was this communist dream turning into such an economic nightmare. And when he came back to power, he said, "I have two choices: I can distribute poverty, or I can distribute wealth."

Chapter 15: Soviet Free Fall [4:52]

39. NARRATOR: The president of Russia was _____. Unlike Gorbachev, Yeltsin wanted to move fast. He chose the young reformer Yegor Gaidar as the man to turn Russia into a market economy.

Chapter 16: Reform Goes Awry [4:26]

40. YEGOR GAIDAR: I was driving to my office on Old Square, past Detsky Mir, the children's shop, and I saw a huge crowd of people. I sent my aides to find out what was going on, and they saw hundreds of people with various kinds of goods. They were holding a copy of the decree on the freedom of trade while trying to buy or sell stuff. So that's when I understood that in 75 years it had not been possible to extinguish this entrepreneurial spirit. That was one of the pivotal points. Starting from then, there were no more ____ in Russia. I felt that we were right and that market forces worked, even in this tortured economy.

Chapter 17: India Escapes Collapse [3:16]

41. MANMOHAN SINGH: This was telling proof that a ____ type of economy was not as secure as we had thought. Therefore, the collapse of the Soviet Union was a major factor which influenced thinking on economic reforms in our country, as in other countries.
42. MANMOHAN SINGH: We got ____ off the backs of the people of India, particularly off the backs of India's entrepreneurs. We introduced more competition to release the innovative spirits, which were always there in India. The economy turned around much sooner and much more deeply than I had anticipated. Indian industry boomed. We created a record number of jobs, we were able to control inflation, and the economy was growing at the rate of 7 percent per annum, so our critics were completely silenced.

Chapter 18: Russia Tries to Privatize [5:33]

43. NARRATOR: In Russia, the ____ of the economy were still in the hands of the state. In a great idealistic move, the young reformers set out to democratize state industries by simply giving them away. In charge of this program of privatization was Anatoly Chubais. The 70-year communist monopoly was about to be overturned. Russian citizens were given vouchers which they could use to buy shares in privatized companies.
44. JEFFREY SACHS: A lot of societies have corruption, but Russia had an elite that had grown up in such an ____ environment under the Soviet system that they really did believe that property is theft. "Okay, now we're in a private-property system; we'll steal it." And Russia had a lot to steal. You had the oil, the gas, the nickel, the chromium, the diamonds, the gold -- this extraordinary combination of huge natural resource reserves, and they were in state hands.

Chapter 19: Property Becomes Theft [6:18]

45. NARRATOR: Potanin needed allies. These were the richest of the new entrepreneurs. They came to be known and hated as "the ____."

Chapter 20: Closing the Deal [3:50]

46. NARRATOR: In Yeltsin's Russia, ____ capitalism thrived. For many, reform came to mean corruption, inflation, and inequality. Then in 1998, Russia defaulted on its debts, and the stock market crashed. The Yeltsin era ended with his abrupt resignation on New Year's Day 2000.

47. Chapter 21: A Decade of Radical Change [7:38]

48. DANIEL YERGIN: It's breathtaking what's happened in the last 20 years or less. It's as though the whole world has changed its _____. Everywhere -- in India, China, Asia, Latin America, Europe, North America, and above all in the communist world -- governments have retreated from the commanding heights of the economy.

49. DANIEL YERGIN: Of all the cases of shock therapy around the world, that in ____ worked just about the best. It really got the economy going.

50. DANIEL YERGIN: For several years, ____ looked like the poster boy for economic reform. It turned out that the reforms were quite incomplete. The country ran up huge international debts, and in 2002 it had an economic meltdown.

51. P. CHIDAMBARAM: This has brought about a sea change. In fact, nobody in India today would question the correctness of the decision to open up India's economy. Even the ____ grudgingly can see that this is the right path now.

52. NARRATOR: In Russia, ironically, the 1998 stock market crash and the default on debts may have been a turning point, a second chance for Russia's still-new market economy. Under President ____, the institutions of a market economy strengthened, and the oligarchs were reined in.

53. LILIA SHEVTSOVA: I'm looking at my son who is 19 years old, and I'm looking at other people, and I am amazed. They are ready to live in this global environment. These are the people absolutely free of any old stereotypes. They don't remember communism. My son is coming home and asking me, "Mum, can you tell me what ____ is?" We spent only 10 years after collapse of communism, and my son doesn't know what communism and Marxism is.

54. NARRATOR: The world had indeed changed its mind. Capitalism was now the rule almost everywhere. The stage was set for a single ____ market woven together by trade technology and investment.

Globalization had begun.