Economic Game Changers: Milton Friedman | Worksheet

Matching

Match the definition in Column A with the term in Column B.

Column A	Column B
______ Spending based on expectations.	a. 1973 Oil Shock
______ High inflation, high unemployment, stagnant economy.	b. Stagflation
______ Emphasized the impact of money supply.	c. Voluntary Exchange
______ Embargo resulting in widespread gas shortages.	d. Fiscal Policy
______ Personal choice to buy, sell, or trade.	e. Monetarism
______ Government decisions on spending and taxes.	f. Permanent Income Hypothesis

Multiple Choice

1. **The government sends every household a one-time $500 payment. Which outcome would Friedman's Permanent Income Hypothesis best predict?**
   a. Households will immediately spend the $500, flooding the market with dollars.
   b. Most households will opt to save the $500, uncertain about whether more will come.
   c. Households will make different choices depending on their income expectations.
   d. Households will return the $500 to the government so it can pay down debt.
2. **If the government sends more dollars into the economy but the supply of goods and services does not increase, what will the result be?**
   a. Prices will fall.
   b. Prices will rise.
   c. Prices will stay the same.
   d. Some prices will rise while others will fall.
3. **How did Friedman believe social ills such as poverty and inequality were best addressed through:**
   a. Greater government spending.
   b. More government programs.
   c. Higher taxes.
   d. Individual choice and voluntary action.
4. **In the United States, who primarily controls the supply of money in circulation?**
   a. The President and Congress.
   b. Private banks.
   c. The Federal Reserve.
   d. Wall Street.

Application

A city creates a new government program to reduce homelessness and spends $10 million on it each year. Milton Friedman believed programs should be judged by their results, not just their intentions. How could you determine whether the program is truly effective and producing results that justify its cost?

Scan to watch episode:

Create a rubric with 3–4 criteria you would use to evaluate the program. Consider what evidence you would need to measure its results. Fill in the table below (one example has been provided to get you started):

Criteria	**Evidence to look for**
Example: Provides help for the underlying causes of homelessness	*Does the program address root factors that contribute to homelessness, such as unemployment, trauma, addiction, or other causes?*

Historical Context

1. How did the 1973 Oil Shock affect the U.S. economy? Describe at least two economic problems that followed the sharp increase in oil prices.

2. Why did stagflation in the 1970s cause Americans and policymakers to question the Keynesian economic policies that had dominated the previous decades?

Exit Ticket

What is the central idea of Milton Friedman's economics in a sentence or two?

Economic Game Changers: Milton Friedman | Answer Key

Matching

Match the definition in Column A with the term in Column B.

f. Spending based on expectations.
b. High inflation, high unemployment, stagnant economy.
e. Emphasized the impact of money supply.
a. Embargo resulting in widespread gas shortages.
c. Personal choice to buy, sell, or trade.
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b. Stagflation
c. Voluntary Exchange
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e. Monetarism
f. Permanent Income Hypothesis

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    a. Prices will fall.
    b. Prices will rise. ✅
    c. Prices will stay the same.
    d. Some prices will rise while others will fall.
3. **Friedman believed that social ills such as poverty and inequality were best addressed through:**
    a. Greater government spending.
    b. More government programs.
    c. Higher taxes.
    d. Individual choice and voluntary action. ✅
4. **In the United States, who primarily controls the supply of money in circulation?**
    a. The President and Congress.
    b. Private banks.
    c. The Federal Reserve. ✅
    d. Wall Street.

Application

A city creates a new government program to reduce homelessness and spends $10 million on it each year. Milton Friedman believed programs should be judged by their results, not just their intentions. How could you determine whether the program is truly effective and producing results that justify its cost?

Create a rubric with 3–4 criteria you would use to evaluate the program. Consider what evidence you would need to measure its results. Fill in the table below (one example has been provided to get you started):

Criteria	Evidence to look for
Example: Provides help for the underlying causes of homelessness	*Does the program address root factors that contribute to homelessness, such as unemployment, trauma, addiction, or other causes?*
Answers will vary. Some examples would be: Reduction in homelessness	Compare the number of people experiencing homelessness before the program began with the number after it had operated for a year and then each subsequent year.
Long-term stability	Determine whether participants remain permanently housed or were temporarily housed.
Improved self-sufficiency	Does the program increase self-sufficiency or create more dependency?
Unintended consequences	Determine if the program created additional problems or incentives that worked against its stated goal.

Guidance for Grading

- ☐ The student provided 3–4 relevant criteria for determining whether the program is effective.
- ☐ The student identified specific evidence or data that could be used to evaluate each criterion.
- ☐ The student distinguished between the program's intentions and measurable outcomes.

Historical Context

1. How did the 1973 Oil Shock affect the U.S. economy? Describe at least two economic problems that followed the sharp increase in oil prices.

   Example answer:
   Oil and gasoline prices rose sharply, increasing transportation and production costs throughout the economy. Consumers faced higher prices and gas shortages, while businesses struggled with higher costs and unemployment increased.

2. Why did stagflation in the 1970s cause Americans and policymakers to question the Keynesian economic policies that had dominated the previous decades?

   Example answer:
   Keynesian ideas influenced government efforts to address both the Great Depression and the economic problems of the 1970s, but in both cases, government intervention failed to deliver the promised economic stability and even appeared to make matters worse. These experiences led people to question Keynesian economic management and consider other explanations. Milton Friedman offered an alternative that emphasized monetary policy, free markets, and individual choice.

Exit Ticket:
What is the central idea of Milton Friedman's economics in a sentence or two?
Example answer:
Friedman argued that a complex economy works best when individuals are free to make their own choices rather than relying on government officials to direct economic activity. He believed the government should maintain a stable monetary policy and allow free markets and voluntary exchange to guide economic decisions.