

## **PART II:**

# **ECONOMICS**

There are many topics that pertain to basic economics classes and texts although, unlike American history, economics is more readily identified with specific concepts and ideas rather than particular individuals. Many of the ideas in economics will be appropriate for examination in American government and history as well. Where useful, the National Content Standards in Economics will be cited by standard.

Economics, of course, involves the exchange of goods and services often through the use of a common medium, money. The concern in most countries is keeping currency strong in order to maximize the buying power of citizens, but not so strong as to make goods too expensive in foreign markets. Often this process is balanced by the use of **tariffs**. The Photo Archive has a number of tariff photographs that illustrate the variety of tariffs and their uses. Pictured is American Vice-President Gore with President Jiang of China at a meeting in Japan in which the Chinese agreed to begin the process of lifting their tariffs and allowing more free markets in China. What exactly is a tariff and who can impose one and on whom? What is the difference between a tax and a tariff? How can a manufacturer include the imposition of a tariff into the price of his/her product, and what might be the result?



*U.S. Vice President Al Gore, left, and President Jiang Zemin of China exchange views as they meet shortly after Gore's arrival in Osaka Saturday, November 18, 1995. Gore is standing in for President Clinton who cancelled due to the budget crisis.*

**Money** is central to economics, but students may not realize that currency comes in many forms. The Photo Archive contains thousands of money photos illustrating its myriad roles in economic systems. This is also the focus of Standard 11 of the National Content Standards in Economics. Pictured here are Japanese money dealers who buy and sell national currencies in Tokyo. Students may be surprised or confused by the notion of buying and selling money. An explanation or discussion could follow that attempts to explain a country's strategy in trying to keep its currency strong. How can that be done and what difference does it make to a country's overall economy?



*A money dealer shouts an order with a hand signal during Monday's morning trading on the Tokyo Foreign Exchange market Nov. 11, 1996. The U.S. dollar against the Japanese yen hit a one-month low, 111.35 yen, momentarily, and was traded at 111.40 yen level, down from its rate late Friday.*

A basic economic precept addresses not just money, but how much it is actually worth in "buying power." This notion relates to the **cost of living** and, under that heading, there are many photos that address that topic. An excellent illustration of the concept is shown in the photo with explanatory caption that has been selected. It shows a nurse, one of thousands of service employees in Los Angeles County, who is considering action to protest the fact that she has not received a cost of living increase for five years.

What effect does an automatic cost of living increase have on a country's economy? If every worker automatically received an automatic cost of living adjustment (COLA) each quarter, what would be the effect on wages and purchasing power? Who should get automatic COLAs, if anyone? Why?



*Nurse Dorothy Hill is shown outside the South Health Center in Los Angeles Friday, Sept. 26, 1997. Hill, who has not received a cost-of-living raise in five years, will go on strike Wednesday, Oct. 1 if contract negotiations fail between Los Angeles county officials and Local 660 of the Service Employees International Union. The 30,000 member Local 660 is seeking a 5 percent raise over the next 2 years.*

In the period from late 1929 to around 1940, the country and much of the world was mired in the **Great Depression**, an example of the problems that ensue when a nation's economy slides into a long term pattern of unemployment, low demand for goods and limited cash flow. Pictured is a man unable to find regular employment who has resorted to selling apples on the streets as thousands of others were forced to do. Students should contrast their perceptions of today's unemployed with this photo. How do we usually picture people who are unemployed? Why? Is there an accurate picture that we can draw of "the unemployed?" Try to find government composite data on today's unemployed. What is the average time that people remain on unemployment? Where does the money come from to support people on unemployment? Are there time limits on how long someone can receive unemployment compensation? Should there be?



*An unemployed apple seller is shown at the height of the Depression in 1935, in midtown Manhattan.*

**Ronald Reagan** represented a new era in American politics when he was elected in 1976. He was seen as the new torchbearer of the **Conservative** movement that **Barry Goldwater** had first popularized with his presidential campaign in 1964. As president, Mr. Reagan sought to promote economic growth by cutting taxes and providing financial incentives to businesses in order to create jobs and stimulate the American economy. Students might want to consider the basic tenets of **Reaganomics**. How successful were they, and what politicians espouse similar ideas today?



*President Ronald Reagan and wife Nancy talk to the news media on their ranch, Rancho Del Cielo, 30 miles northwest of Santa Barbara, California., in this August, 1985 photo. The Reagans have put the 688-acre spread, once known as the Western White House, up for sale. They purchased the property 22 years ago for \$480,000.*

The **European Union** (EU) is an excellent example of an organization that was formed to benefit all of its members. Begun originally as a coal and steel “cooperative” in 1957, the EU has grown in member nations and in scope over the past 40 years, yet it still exists to alter trade barriers between and among member nations. This is consonant with Standard 5 of the National Content Standards in Economics. Pictured is a meeting of the original European Economic Community in 1957. Today the European Union comprises almost every country in western Europe and some in eastern Europe. What are perceived advantages and disadvantages to such an agreement? Students might want to examine why Switzerland and Norway, two prosperous western European nations, have chosen to not join the EU. Students might also want to track the progress of the implementation of the Euro, the single European Union currency that is being phased into use, beginning in 1999.



*This is a view of the signing on March 25, 1957, of the Treaty of Rome, creating the European Economic Community, forerunner of today's European Union. The EU charter is being rewritten, changing from the house rules that suited the six founding nations but are unwieldy with 15 members now and will cause gridlock when it grows to 26 after the turn of the century.*

Another key international economic body has been the **World Bank**. The Photo Archive has hundreds of photos under that heading which can illustrate the diversity and international scope of this body. The World Bank is not always accepted or popular with everyone, however. Pictured below is a photo of protesters at the stock market in Hong Kong against the continued presence of the Bank. An examination of the World Bank's history and financial foundations might give students some useful perspectives to consider the role of the bank in international finance. Who are the officers and decision-makers of the World Bank and whose interests do they represent? Consideration should be given to contrasting the World Bank's intervention with the so-called invisible hand that Adam Smith and other economists relied upon for the balancing of economic "disharmony."



*Protesters of anti-IMF/World Bank meetings are blocked by police officers as they break through a barricade leading to the Hong Kong Convention Center Sunday, Sept. 21, 1997. Protesters marched down the street to stage a rally to demand the dismantling of the IMF and the World Bank. Five people were arrested as a result of the scuffling with the police force.*



Another important and recent international agreement has been the **North American Free Trade Agreement (NAFTA)**. The elimination of trade barriers is analogous to the establishment and work of the EU, although not nearly as developed. The Photo Archive has many pictures showing the response of groups and individuals to NAFTA. Pictured is a 1996 teamster protest in San Diego against NAFTA. Many people feared that the NAFTA agreement would have a negative impact on their jobs. Students should attempt to find what the results of NAFTA have been in terms of company profits, "outsourcing" of manufactured goods, unemployment rates in some industries and the overall effect on the economy. Local businesses, business executives or union leaders might be contacted for both their opinions about NAFTA and any data that they might have that could reinforce their opinions.



*About 200 teamsters raise their signs while protesting new NAFTA trucking regulations outside the Holiday Inn in San Diego Tuesday, June 18, 1996. The teamsters protested a meeting on the North American Free Trade Agreement against lifting a ban on Mexican trucks being allowed on U.S. roads and highways.*

Any study of economics involves the study of labor as well as capital. **Labor unions** have had an indelible effect on economics and social well being over the past 100 years. The site for labor unions deals both contemporarily and historically here and abroad regarding labor unions. Depicted below is an undated photo from the early part of the century that shows two young girls whose families were affected by having labor organized. Their sympathies are clearly identifiable by the banners that they wear. Unions have been historically much stronger in some parts of the country than in others. Students should determine where unions are stronger and weaker and what the effects are on wages, costs of goods and services as well as overall satisfaction of workers and manufacturers. What are the pros and cons of unionization?



*An undated photograph of a pair of roller-skating girls striking a pose for union support in New York.*

In the 1990s, no individual has had more effect on the economic direction of this nation than **Alan Greenspan**, the Chairman of the Federal Reserve Board. The Photo Archive has hundreds of Greenspan images. Here Greenspan is shown appearing before a senate budget committee on **Social Security** in November 1997. Students could research how long the Federal Reserve Board has been in existence and how many chairmen there have been. How were each of these chairmen viewed by the public and the business community in terms of their direct economic influence, nationally as well as internationally? Students could research the regional branches of the Federal Reserve and find who serves on them. If there is someone reasonably near by on the regional reserve board, that person might be invited to address the class or to respond to written questions.



*Federal Reserve Chairman Alan Greenspan, answers a question from Senate Budget Committee Chairman Judd Gregg, during a budget hearing on Social Security, on Thursday, Nov. 20, 1997, at the Capitol in Washington. Changes shoring up the Social Security system should be made sooner rather than later to avoid a "truly wrenching" impact on older Americans, said Greenspan.*