

## Tab I

### Economy

#### IP Event Lesson Plan

1. **Topic:**  
Economy

2. **Suggested activities:**

A. Many institutions under government fall into this category as well as activities falling under other IP topic areas, e.g., industry/ environmental protection/agriculture; American family life and community life

B. Banks, credit unions, savings and loan associations, federal housing administration offices, etc.

C. Brokerage houses

3. **Student requirements:**

A. Attire (civilian clothes/uniform)

B. Event information sheet

C. Camera and film

D. Money for emergency phone call or souvenirs

4. **Escort requirements:**

A. Advance ticket purchases if necessary

B. Event information sheets for each international student

C. Ensure necessary briefing information is available

D. Brief (pre & post) international students about event(s)

E. Ensure escorts are familiar with event objectives to guarantee all points are adequately covered

F. Confirm/arrange transportation requirements

G. Event evaluation sheets are completed by each student

H. Discuss event with point of contact at event location and ensure escort carries point of contact's name and phone number

I. Ensure point of contact at event location is provided with the objectives to be covered prior to arrival of students

**5. Introduce student to following objective(s) (under the universal declaration of human rights):**

A. **Article 17:** everyone has the right to own property alone as well as in association with others.

No one shall be arbitrarily deprived of his property

B. **Article 23:** everyone has the right to work, to free choice of employment, to just and favorable conditions of work and to protection against unemployment.

Everyone, without any discrimination, has the right to equal pay for equal work.

Everyone who works has the right to just and favorable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.

Everyone has the right to form and to join trade unions for the protection of his interests.

C. Everyone has the right to rest and leisure, including reasonable limitation of working hours and periodic holidays with pay.

D. Everyone has the right freely to participate in the cultural life of the community, to enjoy the arts and to share in scientific advancement and its benefits.

Everyone has the right to the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author.

**6. IP area(s) of emphasis:**

A. Internationally recognized human rights as outlined in the universal declaration of human rights.

B. U.S. free enterprise system and its role in a democratic society.

**IP Event Information Sheet**

**Economy**

Most foreigners are impressed by our material achievements and are anxious to learn how we reached and maintain our high standard of living. Some may be more interested in what we have produced in material goods than in the way our system operates. Many doubts about features of our economic system arise out of misunderstanding. Some foreigners believe that our economic progress is the result of unique circumstances, therefore our methods would not be appropriate for other nations.

Although the American economy is the product of a complicated and unusual series of historical conditions and trends, the motivation of our people, our political and social institutions, and our

ideals are equally important. We have been lucky, but we have also made much of our opportunities. Our success and our problems are partly due to the peculiar nature of our society, but to some degree they are common to all large industrial nations. Our economy is dynamic, full of seething changes which reflect the energy, vitality, and needs of most of our people.

Many of you will view such concepts as "capitalism," "the private enterprise system," "laissez faire," and "socialism" in terms of a picture of industrialism drawn from the freebooting days of the mid-19th century, with all their exploitive elements and social ills. People from less developed areas may regard capitalism and private enterprise negatively because historical circumstances exposed their societies to the worst features of modern industrialism while depriving them of its benefits. Reasons that some economies were unable to develop in ways that would benefit their people include rigid and traditional class structures, cultural attitudes which stressed stability and group loyalty rather than individualism and ambition, and the absence of well-developed markets for land, labor, and capital. These elements explain the unsatisfactory levels of living in these countries. In our case these restraints were largely absent or easily overcome. We were able to create an economy in which traditional regard for property rights and individual initiative are blended with practical measures to safeguard individual liberty and the public interest.

Americans often take it for granted that our experience in economic growth and our way of doing things in terms of government-business relations are the best. This is both patriotic and natural, and our record of achievement tends to prove our point. However, terms that we regard as something good, like "laissez faire," may strike a different chord for someone in a less developed society. To many foreigners laissez faire stands for an irrelevant or unproductive policy. Their present economic system may need not so much to be "let alone" as to be overhauled by fundamental, governmentally initiated reforms. In societies seeking rapid development, a good case can be made for economic planning which guides resources into high priority uses. Some sectors of less developed economies may need a greater dose of laissez faire instead of misconceived plans which hamstring development.

"socialism" to many foreigners means development planning and governmentally sponsored reforms to remedy ancient injustices rather than a totalitarian system. It may represent a short cut to economic growth and greater social justice. Although this view must be understood and respected, it should be pointed out that these same goals can be achieved, as in our own case, through a type of modern, pragmatic capitalism.

These differences in the meaning of terms are due to a basic difference in ideas regarding the nature and sources of wealth. Many people from less developed areas hold an exploitive theory of wealth; that is, they regard it as something which one person, group, or nation accumulates at the expense of others. This theory is often projected to western society in general and to the United States in particular. It is essential that those who hold to this theory understand that great increases in productivity and wealth have resulted from the technological and organizational revolution and are continually adding new wealth

To our society. The relative size of the slices has not changed much, but the increased size of the pie has made the pieces bigger.

Even those foreigners who understand that our "mixed economy" is very different from the old caricatures of capitalism may not realize how great that difference is today. Some of you may think that our democratic political and social institutions are luxuries that we can afford because of our rich economy. Although there is such a connection, foreigners rarely appreciate the fact that our political and social values and institutions created a favorable climate for economic development. Concepts of individual freedom, private property and individual liberty were cherished, and the protection of both was a major concern in writing the Constitution.

The Constitution and new government did more than just protect these rights. The Constitution has further economic significance because it eliminated many of the economic barriers between the separate states, creating what amounted to a great common market in which all of the former colonies participated. It also created a strong government which aided in the westward expansion of territory stretching to the Pacific Ocean, so the geographical size of our market continued to grow. As innovations in transportation and communications spread across this land, they broke down local isolations and gradually created a single, national market in which regions, states, and individual businessmen and farmers competed with each other. In other words, we achieved all the advantages of removing barriers to the free flow of labor, goods, and capital a full century and a half before the movement to a common market in Western Europe and other places in the world.

Within that unhindered environment, there were enormous opportunities for Americans to combine what economists call the factors of production -- land (or natural resources), labor, capital, and managerial skills. The opening up of new territories added large amounts of agricultural and mineral resources -- some of them unusually rich and easy to get at; and advances in technology helped bring about the rapid and profitable exploitation of these resources. After the closing of the geographical frontier, technology continued to expand our resource base at a rapid rate.

Paralleling the growth of our natural resources base was a growth in population. Natural growth was combined with heavy immigration between 1840 and 1920, when almost 20 million people (mostly from Europe), added substantially to our labor supply. Yet our growth was rapid enough not only to absorb this labor force, but to run a chronic relative shortage of labor. We had enough workers, but not so many as to prevent them from being among the highest paid in the world. This condition in turn put a premium on labor-saving technology and made our businessmen search for ways to increase labor productivity. Furthermore, the self-selective process in immigration and the rise in educational opportunities in our communities resulted in a fairly high quality of labor at the same time that technological advance required more workers of this type.

In addition to these advantages, we had a highly motivated and enterprising group of businessmen, quick to seize their opportunities, and often to make those opportunities by introducing new ways of organizing their enterprises and of turning out products. Perhaps influenced by our Puritan tradition, many of them plowed their profits back into their firms -- most of the capital for industrial production came from previous profits in the 19th century. But, like the developing countries today, we also depended on foreign sources of investment and, under the conditions of that time, were able to attract enormous amounts of capital from abroad. This was particularly crucial before we had firmly established our own financial institutions.

Some of the elements in the story are the result of pure luck. A vigorous people spread across a relatively empty continent, rich in natural resources, and this process really got going just at the time when people and capital were moving out of the advanced countries with a minimum of restrictions. Our timing was fortunate in one other sense as well -- we founded our national economy just at that moment in man's long history when the so-called "industrial revolution" was being launched.

The new technology found a friendly environment in America. The inventor, the tinkerer, and the experimenter have ever since been among the folk heroes of our culture.

The period from the Revolutionary War to the 1840's was based on steam power, progressive agriculture, iron technology, the standardization of machine parts, and the mechanized production of cotton textiles. It marked the beginning of the industrial revolution in the United States and the introduction of the factory system, especially in the northeast. Each period was marked by an increase in the resource base, a wave of technological innovations, and the opening up of new fields of investment opportunities which induced high rates of capital formation. Further, our social

system, characterized by a high degree of occupational freedom of choice and social mobility, created a climate in which workers, managers, and entrepreneurs could take advantage of the great expansion in economic opportunities created by the technological revolution.

The period from the 1840's to near the end of the century was marked by agricultural mechanization, railway construction, the development of a telecommunications system, and the development of the machine-tool and steel industries.

The beginning of the 20th century saw the use of electricity as an energy source for lighting and for power driven machinery and the birth of the automotive and petroleum industries. This period also saw the refinement of the assembly line and other elements of mass-production technology, as well as the development of aviation and a wide variety of business machines. Chemical industries took on new importance.

At present we seem to be in the early stages of a period which began with developments in such basic sciences as chemistry, physics, electronics engineering, mathematics, and biology. These developments laid the groundwork for the present age of nuclear energy, space exploration, and electronically operated systems of automation.

The interaction of these various developments naturally brought great changes in the character of American business. The opportunities for production on a large scale, for a large market, were not only attractive but made necessary by the larger pressures of competition. The competitive model of Adam Smith and the classical economists of the early 19th century implied that businessmen were supposed to be subject to the force of competition, the more of it the better -- at least for the public at large, if not for the businessmen who lost out. But that ideal was formulated in a day when almost all businessmen were merchants or small craftsmen. Industrial competition had different problems and represented enormous investments in plant and equipment, investments which would go down the drain if the business went bankrupt. By the end of the 19th century, some entrepreneurs were finding it much easier to "join 'em" rather than to try to "beat 'em." The day of combination, consolidation, and rationalization was at hand -- in a word, the corporation. In 1901, the United States steel corporation was organized, the first billion dollar concern in America. It was followed by many more.

Most industries remained comparatively decentralized and competitive, however, and the changing conditions of production manifested themselves in other ways for them. Following new procedures, as in the rise of "scientific management" was one response. In this approach the entrepreneur placed emphasis on greater efficiencies within his plant, from personal selection to buying operations, to inventory control and bookkeeping. The constant objective was to increase productivity and cut costs in order to meet and conquer the competition. The scale of business operations also had its impact on distribution and marketing.

The country town and city markets which formerly assembled agricultural produce gradually gave way to a more specialized complex of intermediary firms and organized commodity exchanges. Distribution of goods moved from the peddler and small general store to a system of wholesalers, jobbers, merchandise marts, distributing agents, market research organizations, department stores, specialty shops, mail-order houses, supermarkets, chain

Stores, and discount houses. A single-price system, modified by discounts for quantity orders and early payment, made it easier to handle transactions on a regular, large-scale basis.

Our money and banking system provided the bloodstream which carried these changes throughout the economy. When we declared our independence from Great Britain in 1776 there was not a single bank in the country, and by the 1830's we abandoned efforts to operate a central bank until the idea was put into force as the federal reserve system in 1913. But privately

operated financial "intermediaries" grew rapidly in number and size throughout the 19th century. These institutions, banks, insurance companies, securities markets, and so forth were vital in the task of mobilizing American savings and capital from abroad for use by our growing businesses. They contributed

Greatly to resource and industrial development by helping to provide the funds borrowers wanted while providing private savers various kinds of attractive financial assets. Banking, in particular, had become an enterprise which "created" money, and in so doing helped to create American industry.

The result of all these advantages, and the willingness of our society to seize them, was a rate of industrial growth in the late 19th and early 20th centuries which was one of the fastest in history. It transformed our society and made us into an urban, industrialized nation which led the world in the production of material goods. Increasingly, the immigrants from Europe were joined by American boys in making up our labor force, and the relative position of American farming fell as an economic pursuit. The full magnitude of this change is revealed even more by the rise in the number of workers in the service and white-collar occupations -- the clerks, accountants, administrators, and engineers, who are becoming far more numerous than either the farmers or the factory workers.

Change has continued to be the essence of American economic experience, and our business sector is constantly shifting in its adjustment to new conditions. Large-scale organizations have increased in both size and number, but so have the smaller firms and individual enterprises.

Giant enterprises are found in such fields as finance and industry where "bigness" has certain advantages. It brings together large amounts of capital to carry on production requiring advanced technology. It also makes possible the specialization of personnel for turning out goods and services and for coordinating many intricate production processes. The position of a firm rises and falls not only in response to its own competitive efficiency, but also in response to technological developments, consumer preferences, and other trends. Hence a firm may produce quite different items at different times.

Despite the presence of corporate giants, the American economy is made up of millions of firms of all sorts. In addition to around four million farming enterprises and several hundred thousand lawyers, physicians, engineers, and other professional people in private practice, there are over four million separate business firms now operating. The high rate at which new businesses are formed each year -- several hundred thousand in such varied fields as small factories, shops, construction companies, insurance agencies, taxi services, laundries, beauty parlors, resorts, technical consulting firms, and the like -- attests to the diversity and range of opportunity in which a minimum of capital and labor expense is required for entry, if not enduring success. Almost a sixth of the labor force is still classified as "self-employed."

We continue to rely on the market place, the force of competition, for much of the allocation of goods and services in our economy. Our experience with this force has been a good one, on the whole. At the same time that a strong market rewarded business and technological inventiveness, the pressure of competition also stimulated production. Competition involves more than simple price or product competition. There is geographical competition, since improved transportation and communications networks and marketing systems now make it possible for producers or distributors of similar products to compete for distant markets. Even more significant is technological competition, including competition between divisions or products of the same firm or industry. Further, the widespread geographical dispersion of financial assets (for example, a company's stock may be owned nationwide, if not worldwide) and marketing facilities encourages the rise and growth of new firms. "the man who can build a better mousetrap" is still on the competitive scene. Thus the diversity of geographical and technological growth points in our

economy reduces the chances of creating or maintaining monopolistic positions which could really thwart the pressure of competition for any great length of time.

While for the most part the free operation of this sector of the economy (that is, privately owned businesses) has been relied upon to meet many of our basic goals, this reliance has never been complete. In aiming for an economic system which is both responsible and responsive to the general welfare, we recognize that "liberty is always a matter of choice between available

Alternatives" and that it requires "some degree of underlying security if it is to have much meaning and content. "

To expand the range of alternatives and to provide necessary minimum levels of security, Americans have supplemented the workings of the private sector of the economy with governmental action. In this way we have been able to attain economic goals not otherwise being met or being met effectively. Thus we have developed a "mixed economy" in which private interests are given as much free rein as possible while public interests are also preserved. All this has been done in accordance with democratic procedures and within the framework of the Constitution. It illustrates again the pragmatic nature of Americans -- rather than remain committed to an outmoded doctrinaire "laissez-faire" position, they have shown a practical ability to experiment with various means of tackling problems as they arose. We are equally uncommitted to a doctrinaire ideology of state action.

While attention focuses mainly on the activities of the national government, all levels of government participate in practically all of the types of activity discussed below. Aside from specific activities, government has a tremendous impact on the economy, generally through the money it spends (and collects). In 1960 the federal government returned about 17 billion to the states; in 1980 this amount had grown to about \$100 billion. The national government is the biggest spender of all. In recent years it has spent about three times as much as all state and local governments combined. Of course, national defense, foreign aid, and other security programs account for about one-fourth of federal spending.

Programs to promote economic growth are older than the nation, but they have become more prominent since 1880 and are especially important today. The government is a heavy investor in research and development activities, directly through work done by government agencies and indirectly by contracts and grants to researchers in the private sector. Various aids and subsidies to private business and agriculture and such welfare programs as the social security system also fall within this category. To maintain the purchasing power of consumers so that they can buy the products of our agriculture and industries has come to be regarded as a legitimate function of government. Through their votes the American people have authorized the government to enact and enforce legislation to achieve this end.

With the growing complexity and interdependence of our society, it was inevitable that the old personal relationships between entrepreneurs, employees, and the public would not suffice to ensure fair treatment for all. The people turned to government to establish and enforce rules which would protect them from unfair competition, unscrupulous operators, and other unsavory practices. They also expect government to require the release of enough information about business operations so that the public can act intelligently in the marketplace.

As indicated in earlier discussions, Americans have a deeply ingrained fear of the concentration of power. This is as true in economic as in political life. While large-scale business organization has contributed much to our economic growth, there is always the danger that this concentration of economic power may be used in antisocial ways. Two means of coping with the problem have been developed. One is by recognizing certain industries as "natural monopolies" in which competition would adversely affect the public interest. For such industries the remedy is

considered to be government regulation. The other means is by breaking up large concentrations of economic power through antitrust laws and, when necessary, court action.

This is a broad power granted in the preamble to the Constitution. Its exact nature is difficult to define. At different times it has meant different things to the public, the president, Congress, and the courts. In this century, however, governments at all levels have increasingly passed laws designed to promote the general welfare. At the state and local levels, the authority for such legislation comes from the powers "reserved" to the states and from the general police powers. Laws regulating wages and hours, workmen's safety and compensation, the employment of women and children, and health and safety, as well as social security and unemployment insurance measures, are examples of government activity in this area. Until the great depression of the 1930's, depressions came and went, and few people considered it the government's responsibility to do anything about them. Relief for those who suffered was left largely to private charity. Since then, however, public opinion has supported government action to cope with depressions should they occur and better yet, to prevent them if possible -- that is, to "even out" the business cycle. Today most people believe the government is responsible for maintaining a stable monetary system, a fiscal system designed to stabilize the economy, and a social welfare program designed to keep purchasing power at or near normal levels.

American business and government are joined as inseparable parts of a functioning mixed economy. Our historic traditions of individualism, private enterprise, and distrust of the concentration of power are observed as much as possible within a Constitutional framework designed to promote the public welfare. Government is the agency through which compromises are hammered out when conflicts arise, as they inevitably must, between individual interests and the public good. In our economic as in our political life, compromise and accommodation between conflicting interests are the key to making our democratic institution work. Despite the sound and the fury sometimes given off during this process, the fact is that it has worked and continues to work successfully.

There are some differences of opinion concerning the adequacy of our annual growth rate of 3 percent. In an advanced economy like ours this growth rate, which is measured in terms of the gross national product (GNP), means an enormous and rapidly increasing addition of material goods and services. While other nations have growth rates of 6 or 7 percent, they are based on a smaller volume of production resulting from a different stage of development. If we were to increase our growth rate to an average level of 3.4 or 3.5 percent over the next 20 years, this would mean a gigantic increase in goods and services. Some believe our interests would be served better by devoting more energy to cultural, spiritual, and leisure time pursuits. Others point out that automation, population growth, and the demands of the cold war and space program made it necessary to speed up our economic development. This has been a thorny problem during the past three decades. Price increases promoted by strong unions, have continued despite substantial unemployment. Pricing policies used by concentrated industries make it harder for public policy to maintain full employment without inflation.

The second half of the 20th century is destined to go down in history as the age of technology. More technological knowledge has been gained in the past 50 years than in all previous history, and this gain is accelerating. Automation is a powerful force now at work remolding our economy and its major institutions. Its benefits are potentially enormous and varied. But whole new concepts and systems of management are required to cope with it. In the long run living standards can be substantially raised by automation, but in the short run it tends to unsettle the economy. However, it need not cause unemployment or depressions, despite the technological displacement of workers, if measures to deal with it are devised and applied in time. For example, government, business, labor unions, and our educational systems should work cooperatively in planning and providing the training and retraining needed by workers if they are to have the necessary skills for an increasing range of jobs in the new business and industrial technology.

The American economy is a unique mixture of private and public enterprise, of individual initiative and government promotion, of personal responsibility and public regulation. There are no easily discerned boundaries between public and private sectors of the economy. In a complex industrial society like ours, compromises between property rights and individual rights, including the right to some security, are inevitable. The concentration of economic power which came with the large-scale business organization is balanced by the large-scale organization of labor and of agriculture and by the action of government in regulating, promoting, and managing the economy. This balance has come about through an evolutionary process in which practical solutions were sought and applied to the problems of a rapidly growing economy.

There are some who insist that government and the economy should be kept strictly separated -- that government should not "interfere" in private economic affairs. Whatever the theoretical merits of this position, it is today an unrealistic one, for we have developed a "political economy" in which decisions in one area inevitably affect decisions in the other. Through democratic procedures the American people have "married" government to the economy, and if quarrels occasionally break out, as they do in most marriages, the foundations of this marriage are firm and strong and show every sign of weathering all storms.

The United States emerged from World War II as the strongest nation in the world. It had to assume the major role in assisting the rebuilding of a war-torn world; and as the cold war set in, it had to assume the major responsibility for checking communist aggression on a global basis. Through foreign trade and investments, and especially through a variety of foreign aid programs, this country shouldered its new international responsibilities. Not everyone, of course, is satisfied with our efforts or our accomplishments. That is to be expected. The world we live in today is far different from the world of only a generation ago. Much of the experience of the past, particularly in the field of international relations, is

Hardly relevant to current problems. New problems call for new solutions, and if we have not always been able to come up with the right formula, it can at least be said that we have earnestly tried.

This information should provide you an understanding of how our economy is based. You should also be able to recognize how the U.S. economy relates to the following Articles in the universal declaration of human rights:

*Article 17:*

*Everyone has the right to own property alone as well as in association with others.*

*No one shall be arbitrarily deprived of his property.*

*Article 23*

*Everyone has the right to work, to free choice of employment, to just and favorable conditions of work and to protection against unemployment.*

*Everyone, without any discrimination, has the right to equal pay for equal work.*

*Everyone who works has the right to just and favorable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.*

*Everyone has the right to form and to join trade unions for the protection of his interests.*

*Article 24*

*Everyone has the right to rest and leisure, including reasonable limitation of working hours and periodic holidays with pay.*

*Article 27*

*Everyone has the right freely to participate in the cultural life of the community, to enjoy the arts and to share in scientific advancement and its benefits.*

*Everyone has the right to the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author.*