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Economic Workbook

UNDERSTANDING TODAY'S ECONOMY is a new workbook offered by the Henry George School and can be used in conjunction with our popular economics video.This Student Workbook is 20 pages long and is designed so that students can work independently, allowing the teacher to check each student's progress and zero in on any aspects of the lessons which may need clarification. The Workbook includes a number of exercises along with graphs, charts and maps.

The purpose of the booklet, which is geared for about four class periods, is to offer an introduction to the basic concepts of economics first developed by the Classical economists Smith, Ricardo and Mill, and to propose a remedy for the perennial problems of poverty, the maldistribution of wealth and economic stagnation. The Classical economists defined political economy (or economics) as the study of the production and distribution of wealth within society. The booklet we are offering details the factors of production and their interconnectedness and distributive properties. Please feel free to order.

Retooling Europe

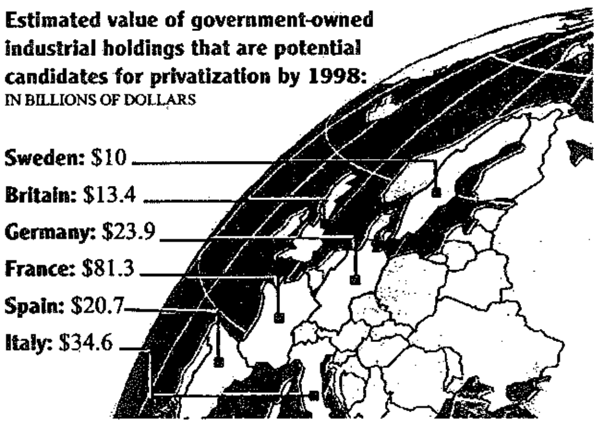
Western European countries are undergoing many changes in their economic structuring. Nearly 100 government-owned industries are likely to undergo partial or total privatization during the next few years, involving estimated sales to the private sector of over $80 billion dollars in France, $23 billion in Germany and $34 billion in Italy. It is also estimated that France, Italy and Germany will lose hundreds of thousands of jobs. This article can be used with the Land & Freedom series #3 (Feudal Land Reform) and Economics #3 (Economic Systems).

Indian and Tribal Land Resources

There is a growing movement among American Indian tribes to take control of natural resource development on the reservations. Previously, this development was in the hands of non-Indian corporations. If this trend continues, it may well change tribal and Western state relationships. This article may be used in conjunction with Land & Freedom series #1 (Indian Land Ownership) and World History #15 (Land Ownership in Latin America).

THE PRIVATIZATION OF EUROPE...

Nearly 100 government-owned industries in Western Europe are likely candidates for privatization during the next few years, according to announcements already made and estimates by investment bankers. Not all the deals will necessarily go through. But the values below provide the scale of the European auction underway.



... and its cost in jobs

As state-owned companies in Europe cut staff to become more competitive after privatization, 750,000 or more previously secure jobs are likely to be lost during the next few years, according to estimates by economists. The biggest losers:

1. **France**............*290,000 jobs*
2. **Italy**...............*180,000*
3. **Germany**.........*140,000*

SOURCE: Morgan Stanley Research, European Economic Research and Advisory Consortium. Reprinted from the Washington Post

Free Materials for Teachers

The Power of Maps, a Resource Guide for Teachers, contains suggestions and activities for working with maps on several levels: city, region, country and world. In addition, this guide also contains a list of organizations and businesses you can write to obtain maps and geographic education materials.

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Retooling Europe

by Steve Coll

London - West European countries are beginning to reshape longstanding economic policies such as cradle-to-grave welfare benefits and government ownership of businesses, presaging far-reaching changes in the way Europeans work and live.

As they emerge from a post-Cold War recession, the largest economies in Europe are facing unacceptable levels of government debt, high unemployment - 11 percent of the European workforce is forecast - and growing difficulty in exporting their once-prized automobiles, appliances and other manufactured goods. As a result, governments from Spain to Scandinavia are inching away from the social democratic policies that have nourished their people and inspired generations of liberal politicians around the world.

The process so far has been hesitant and confused. Many Europeans are ambivalent about reform, and many of the measures their governments have taken have been half-hearted or designed mainly to buy time to prop up the old system a little longer. Some U.S. economists and executives argue that the Europeans have not really begun to undertake the kind of fundamental restructuring of companies and policies needed to restore their competitiveness.

Across the continent, a number of governments are selling off big government owned businesses to private investors, a process that has cost thousands of workers their once-secure jobs.

In Germany, Chancellor Helmut Kohl is leading a campaign to convince Germans that they must work harder and take more risks if their reunited country is to remain a leader in world trade.

Some specialists say Europe stands at the threshold of fundamental change. "What you're really dealing with here is the restructuring of Europe," argues David Jarvis co-head of European investment banking at the Wall Street firm Salomon Brothers Inc. "It's more major than a lot of people imagine." Already, Jarvis says, "governments less and less have the ability to control their economies and their industries."

If a shakedown is beginning, however, it has not been driven by politics or ideology, as it was in Britain in 1979 when Prime Minister Margaret Thatcher came to power and declared war on the welfare state. Today's European governments, and the voters who elect them, are scaling back their postwar systems reluctantly - and largely because they cannot afford to do otherwise.

> ***"Governments less and less have the ability to control their economies and their industries"***

The pressures are rising. As trade barriers around the world have fallen, making Asia and Latin American economies into competitors in world markets, and as U.S. and Japanese companies have aggressively cut down their work forces and streamlined production, European countries are finding that they are not as competitive as they once were. Even the prestige products of Europe, such as some luxury German automobiles, are losing market share, and European companies are generally failing to compete in important new industries, including biotechnology.

Declining competitiveness abroad means fewer jobs at home. A record 20 million people will be out of work by the end of this year in the 12 nations of the European Union, despite a relatively quick recovery from the recession of the early '90s.

At the same time, governments are finding that they can no longer manage the soaring costs of such universal benefits as free health care. In a number of countries, change has begun purely because of budgetary calculations: Governments have had to sell off companies, slash fringe benefits and force workers to bear more costs in order to pay their debts or avoid fiscal crises.

Such pragmatic considerations have produced a haphazard pattern of structural change. While raising taxes and worker payments, some governments have avoided a real overhaul of the comprehensive health insurance they provide their citizens. Other countries have stepped back from socialism by selling off government-owned companies, then used the money to prop up government-run welfare systems.

Some specialists argue that the scale of any reform will continue to be circumscribed. "I see a lot of tinkering around the edges," says Betty Duskin, a pensions specialist for the Organization of Economically Developed Countries. "These systems are so popular in Europe that nobody is seriously thinking of dismantling them. I see a lot of muddling through in the hope of eventual economic recovery."

Nothing better illustrates the continent's conflicted effort to cope with its economic challenges than privatization, the process by which governments sell companies they have owned and managed to the private sector, both to raise cash and to make companies more competitive.

Almost unnoticed outside of Wall Street and other financial markets, scores of state-owned businesses, once regarded as the crown jewels of European states, are being auctioned off, one after another, to private buyers. The effects on jobs and the lives of workers are profound and often painful. And yet this remarkable shift is happening in such a confused and compromised fashion that its impact on European economies, or their competitiveness, is as yet difficult to gauge.

The scale of change is enormous. Last month, U.S. investment Goldman Sachs & Co. brokered the sale of Italy's state-owned insurer, INA, in a massive international stock offering worth $3.2 billion. Also this year, government stakes in such European industrial brand names as France's Elf Aquitaine oil giant and insurance conglomerate UAP have been sold off. Germany appears on track to sell off Deutsche Telekom, one of the world's biggest phone companies, valued at more than $20 billion.

Many more deals are likely soon, from Scandinavia to Greece to the Iberian peninsula - a staggering $100 billion to $150 billion worth of government assets are likely to be sold to private buyers by West European gov-

Indian and Tribal Land Resources

by Robert Bryce

Denver - For decades, American Indians have relied on non-Indians to develop their energy resources. But in the past few years, more than a dozen tribes from Arizona to Montana have taken control of mineral wealth on their reservations.

The move toward tribal control increases employment on reservations and allows tribes to control their land base - a fact that is of critical importance, says David Lester, executive director of the Council of Energy Resource Tribes (CERT) in Denver: "As Indian nations, these tribes should be making the decisions about how and when their resources are developed, he says.

With 6 percent of the nation's oil and gas and 30 percent of its strippable coal on reservations, Mr. Lester says native Americans could play a key role in domestic energy policy. But their contribution has been limited because they have been forced to rely on non-Indians to develop energy resources.

"As long as the tribes stayed as just the royalty owner, the value-added activities (such as refining or processing) happened off the reservation, outside of tribal economies," Lester explains.

Founded in 1975, shortly after the Organization of Petroleum Exporting Countries sharply reduced oil production, CERT was originally touted as the "Indian OPEC." While the 57 member tribes - 53 United States and 4 Canadian tribes - do not have the same influence as OPEC ministers, they have brought jobs and increased revenue to reservations. Some tribes have formed independent production companies; others have entered into joint ventures or production-sharing arrangements.

The Southern Ute tribe of southwestern Colorado has been a leader in the move toward tribal control of energy resources. Last month, the tribe completed an $87 million deal to acquire and operate a pipeline and a gas-processing facility. The facilities will allow the tribe to upgrade gas production and processing. Red Willow Production Company, the tribe's energy company, has some 35 billion cubic feet of gas reserves. The tribe operates or has interests in 169 gas wells on its reservation.

The Jicarilla Apaches of northwestern New Mexico are another success story. Thurman Velarde, the Jicarillas' oil and gas administrator, says the tribe got into the business because companies shut down marginal wells and left the reservation. Marginal wells produce five to twenty barrels per day, and many large oil producers prefer to plug them rather than operate them.

"We were losing royalties," Mr. Velarde says. "The companies that had the wells had high operating costs. The tribe could operate them and still make money on them." Launched in 1980 with five wells, tribally own Jicarilla Energy Company later acquired four more wells and drilled seven more on tribal land. Velarde says the tribe is eager to expand.

"We are looking to buy existing production or drill more wells," he says. However, lack of capital hampers the tribe. Drilling plans have been put on hold because the tribe lacks money to drill new wells, which cost several hundred-thousand dollars each.

David Harrison, an Albuquerque, N.M.-based consultant to energy-producing tribes, is encouraged by the activity. He says tribes are pursuing joint ventures with outside energy companies because "they want to share in the greater profits of mineral development." But the member of the Osage tribe of Oklahoma adds that a capital shortage and the downturn in the domestic energy business have slowed progress. More jobs, he notes, have been lost in energy in the last 15 years than in the steel and auto sectors combined.

The weakness of the domestic energy business has hurt tribes seeking increased energy dependence. "It takes a viable industry around them to make this work," Mr. Harrison says. "The industry itself has been in such doldrums since the mid-80s."

While some tribes are looking for increased drilling activity, others are pursuing different goals. The Navajo tribe is building a high-powered electric line that will connect the four corners region of Arizona, Colorado, New Mexico and Utah with cities in central and south-western Arizona. It is also looking at solar power and other alternatives that may prove useful to rural tribal members. The Blackfeet tribe of Montana, which also produces oil and gas, is analyzing its wind-energy potential.

CERT's goal is to use tribal energy resources to develop vital tribal economies while preserving tribal values. Toward that end, the association provides members with technical, geological and financial help. Also, it sponsors scholarships to Indian students attending college in business and technical fields.

Education is the key to continued development of tribal energy resources, Lester says. "We have to develop tribal people with technical and professional skills," he says, "so we can eliminate our technical dependence on others."

-Reprinted from the Christian Science Monitor

Questions

1. What is the changing relationship between Indians and the development of their own resources?
2. Why is it suggested that Indians could play a key role in our energy policy?
3. What is the goal of the Council of Energy Resource Tribes (CERT)?
4. Historically, what has been the relationship between non-Indians and Indians and their land?
5. Why might it be profitable for Indians to get into marginal production?

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ernments during the next four years, according investment bankers Morgan Stanley International.

A wide consensus of European politics after World War II held that a strong government-owned industrial sector was necessary for prosperity and middle-class social stability. Nationalization of European industry continued in some countries, such as France, as recently as the early 1980s. Now government business holdings built steadily over decades are being dismantled almost overnight.

A key consequence is lost jobs. As Europe's state-owned behemoths slim down to compete in the private sector, they are likely to shed about 750,000 jobs by 1998, according to forecasts by the European Economic research and Advisory consortium, a network of economic consultants. That means Western Europe faces one of the most daunting job-creation challenges in its postwar history at a time when it already is struggling to cope with record unemployment.

World markets demand faster, smarter, more flexible and more ruthless corporate management.

World markets demand faster, smarter, more flexible and more ruthless corporate management. "The environment is changing anyway, whether the governments want to or not," says Francis Maude, an architect of Britain's 1980s privatization drive and now director of global privatization at Morgan Stanley.

Also, Europe's own economic integration favors privatization. New pro-competition rules adopted by the European Union gradually are making it harder for governments to subsidize state-owned industry. The EU, which is trying to turn Europe into a single economic market, tends to view such support as unfair advantage. Governments are asking "If state-owned companies have to behave exactly like private companies, why have state-owned companies?" says Oscar Fanjul, chairman od Spain's privatized Repsol oil giant.

In Thatcher's Britain, privatization was launched as a way of stimulating private-sector-led economic growth and unleashing productivity through competition. The question is whether Europe's privatization, driven substantially by short-term government financing needs, will produce such long term results.

One impediment, some analyists argue, is that European governemnts are privatizing some big companies, such as telephone and electric companies, without ending their status as monopolies. Critics say that approach gives the companies no incentive to become more efficient, offer lower prices or new services.

France's recently privatized Elf and UAP are typical examples. The companies were put on the market this year by chairmen who are also high-ranking civil servants, close to the Paris government.

Moreover, Elf and UAP are not wholly private, even after their privatization sales. Cross-ownership among state-owned companies keeps the firms tied to the same corporate family, and the Paris government retains "golden shares" allowing it to dictate corporate policy in extreme cases.

In both France and Italy, "the concern has been to maintain the system as intact as possible within the constraint of raising money and keeping the EU competition authorities happy," says economist Matthew Bishop, coauthor of "Does Privatization Work?", a study of Britain's experience. In Paris and Rome, he argues, "it's still going to be the same elite running the company and the firms."

Although the domestic political circumstances vary, some key European privatization programs are designed specifically to minimize the pain of transition, even at the cost of immediate economic performance.

Politically, that may be wise. In Britain, the Thatcherite privatization program of the late 1980s produced rapid, palpable economic benefits such as lower real prices for goods and services from privatized firms. Yet opinion polls today depict privatization as the most unpopular aspect of Conservative party policy in Britain.

The lesson European governments learned from Thatcher is that privatization may be necessary and even good, but it is best not to talk about it too loudly.

Spain's Socialist government is a prime example. Madrid is managing to sell off chunks of key state companies such as Repsol, electricity monopoly ENDESA and telephone monopoly Telephonica - all the while officially opposing privatization as a government policy.

"Saying these are being privatized is an ideological error," explains Deputy Industry Minister Juan Ignacio Molto. "We prefer to call it collaboration between public and private sectors."

Spain's case highlights another problem. The worst-performing, most overstaffed - and thus most politically sensitive - state-owned industry in Europe is the hardest to sell off. At the heart of Spanish state-owned industry in Europe industry lies INI, a creation of dictator Francisco Franco that is today a sprawling mess of steelmakers, shipyards and aluminum smelters - companies seen by analysts as anything but 21st century winners. Indeed, INI's 50-plus firms are losing a combined several billion dollars annually.

In Spain, as in much of the rest of Europe, the hardest work of economic restructuring remains to be done.

-Reprinted from the Washington Post

Questions

1. Why are Western European countries beginning to retool?
2. Name some of the pressures causing these changes?
3. What is privatization?
4. What is the political impact of these changes?
5. How are some governments getting around the idea of privatization?
6. Compare the attitudes toward government control in Europe with those of the United States.