# Wealth & Poverty:
## *How Resources and Policies Shape History*


Art Credit: Shana Feder, *Swans*

A COLLECTION OF OUTSTANDING HISTORY RESEARCH PAPERS

Manhattan High School for Girls

JUNE 2021

# Wealth and Poverty: How Resources and Policies Shape History

A Collection of Outstanding History Research Papers
By the Students of Manhattan High School for Girls

June 2021

# Message from the Principal

When Mrs. Rosenzweig suggested for our annual history project that every grade research the factors that influence an economy covered in their grade's course, I was delighted.

We tend to bypass in-depth studies of economy when we are studying the history, geopolitics and culture of a region. But our students have questions about the economic quagmire that greets us in the daily news and conversations. Questions abound about Google and its ethics, cryptocurrency and its stability, and the six trillion dollar budget promised by President Biden to boost our economy. We want our students to have some framework in understanding the foundations of an economy and the factors that lead to success and failure. We also want them to engage with the news responsibly and intelligently.

Congratulations to our awardees, Yehudis Kundin, Ariella Kornbluth and Fayga Tziporah Pinczower who have shared their appreciation for in-depth learning and literacy with us. I salute our teachers, Ms. Baumgarten, Ms. Isaacs and Ms. Licht for engaging our students and helping us reach our goals. Kudos to Mrs. Rosenzweig for her exceptional leadership and erudition.

Mrs. Estee Friedman-Stefansky
*Principal, General Studies*

# Foreword

What makes some nations wealthy and others impoverished?

It's a question that historians and economists consider often, and often disagree about considerably. For every two scholars, there may be three opinions. The answers are complicated.

After all, there are an enormous number of forces that shape economic outcomes, from the existence of natural resources, to the enactment of political policies, to varying cultural outlooks, to the efforts of individuals. Some nations with abundant resources experience great wealth, while others do not. Some stable capitalist democracies become wealthy while others are less competitive. Some nations have implemented extensive welfare states and have experienced prosperity, while others have not. For scholars, it can be a difficult task to line up data that demonstrates the clear impacts of one potential variable on the economy without leaving another scholar to say that a different variable is instead responsible.

However, just because a question might have a complicated answer is no reason not to pursue studying it. In fact, some of the most satisfying topics to study are those with complicated answers.

We hope you will enjoy this collection of the finest history research papers from the students of Manhattan High School for girls from the 2020-2021 school year, produced in the classes of Ms. Martha Baumgarten, Ms. Chaya Isaacs, and Mrs. Jackie Rosensweig. Here, students embraced the complexity, and particularly looked at the effects of natural resources and government policies in impacting nations' economies. Their analysis has attempted to untangle the different methods scholars use to interpret economic changes and why they happen.

The students' deeper understanding of the multivariable forces that shape the economy gives them a keen appreciation for the hand of the Almighty in guiding us through the economic disruptions that have attended more than a year of the COVID-19 pandemic. We hope for a future of prosperity--and of appreciating the value of analyzing complex topics.

Sincerely,

Mrs. Jackie Rosensweig

*History Department Chair*

*June 17, 2021*

## Congratulations to our

# Manhattan High School Awardees

*9th Grade Awardee*

### Yehudis Kundin

for her essay

*The Impact of the Resource Curse in Sierra Leone*

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*10th Grade Awardee*

### Ariella Kornbluth

for her essay

*Debating the Impact of the Marshall Plan on Germany's Postwar "Economic Miracle"*

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*11th Grade Awardee*

### Fayga Tziporah Pinczower

for her essay

*Debating the Impact of the Sherman Antitrust Law*

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*Cover Art Awardee*

### Shana Feder

*Swans*

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# The Impact of the Resource Curse in Chad

*Adina Coan | Grade 9*

The country Chad is named after Lake Chad, which comes from the Kanuri word "Sádə", meaning "large expanse of water".[1] Chad became a French colony in the early 1900s. It became independent in 1960 and its first president was François Tombalbaye.[2] He distrusted democracy and was cruel and power-hungry.[3] From 1979-1983 there was a civil war, and it even required the intervention of other African governments.[4] In the 1990s Idriss Déby, a former military officer became president, and is still the president today.[5] Chad produces an abundant amount of petroleum. It also produces raw cotton, live cattle, meat, and fish.[6] The economy of Chad is poor and a lot of its people live in poverty. The reason is because of the bad leadership of its president, Idriss Déby, because of other countries exploiting its oil, and because of the terrorist group, Boko Haram.

Ronald Marchal claims Chad is the poorest and most corrupt country in the world, and blames it on the poor leadership of the president of Chad, Idriss Déby. When he first took power in December 1990 he could have had a relatively easy time stabilizing the bad situation in Chad. However, Déby didn't, as it would mean having a government that governs, instead of a president, and police that respected the laws. In addition, he broke his promise that he wouldn't support another mandate. Although Déby is in bad health, he hasn't chosen someone to accede him. The fact that he hasn't organized the transfer of power highlights how greedy and power-hungry he is. His bad leadership, empty promises, and character, has caused opposition. The Zaghawa, an ethnic group, some of which were Déby supporters, opposed him, criticized his behavior, and left him. Opposition and bad feelings across the spectrum in Chad lead to chaos. In conclusion, Idriss Déby's bad leadership is the reason Chad is unsuccessful.[7]

The oil has brought poverty to the locals, with reports that poverty has increased in oil-producing areas. The reason, Siegn-goura Yorbana explains, is because multinational companies are exploiting the country's resources. These oil giants from the US, Malaysia, China, Canada, and more, dominate the economy and mold the lives of oil workers. One way oil exploitation has had a negative impact on local communities is that there is inequality among workers. Foreign expatriates are prioritized over locals and earn a lot more for the same role, leaving oil workers feeling indignant. Local residents have reported that the sizes of their fields have decreased, their cultural sites have been demolished, and the cost of living has increased. Oil exploitation is the cause of the continuation of poverty in Chad.[8]

Akepe Linus Enobi believes that the Lake Chad Basin, including Chad, is in poor economic condition, with the economy having lost N1.33 trillion Foreign Directs Investment. The reason, he claims, is because of Boko Haram, a terrorist group. Boko Haram started in Nigeria in the late 1990s or early 2000s and has spread to the whole Lake Chad Basin. It literally means "Western education is forbidden" and this name reflects their values of opposition to anything Western, which they think corrupts Muslims. Immediately after Chad joined

1 Room, Adrian (1994). *African Placenames*. McFarland and Company.

2 Collier, John L., ed. (1990), "Historical Setting", *Chad* : A Country Study, Library of Congress Country Studies (2nd ed.), Washington, D.C.: Library of Congress, p. 13, ISBN 0-16-024770-5, retrieved 2011-02-08

3 International Advisory Group, External Compliance Monitoring Group, Collège de Contrôle et de Surveillance des Revenues Pétroliers (CCSRP), World Bank Inspection Panel, Comité Technique National de Suivi et de Contrôle (CTNSC).

4 International Advisory Group, External Compliance Monitoring Group, Collège de Contrôle et de Surveillance des Revenues Pétroliers (CCSRP), World Bank Inspection Panel, Comité Technique National de Suivi et de Contrôle (CTNSC).

5 "Chronology for Southerners in Chad". *University of Maryland*. 16 July 2010.

6 Jones, Douglas Henry. "Chad." *Britannica*, 2021, www.britannica.com/place/Chad/Finance-and-trade.

7 Marchal, Ronald. "Chad/Darfur: How two Crises Merge." *Review of African Political Economy*, 2006,https://www.researchgate.net/profile/Roland_Marchal/publication/240236874_ChadDarfur_How_two_crises_merge/links/575c2efd08ae414b8e4c18a2.pd

8 Yorbana, Siegn-goura. "Representations of Oil in Chad: A Blessing or a Curse?" Africa Spectrum, 2017, https://journals.sagepub.com/doi/pdf/10.1177/000203971705200103

the allied forces to fight the revolt in this region, the first attack by Boko Haram was carried out on Chad's land. Enobi lists five events where this terrorist group has killed about 450 people in Chad in 2015 alone. The huge cost of fighting with Boko Haram has taken its toll on the economy, worsening it. All in all, Chad is not doing well economically because of the terrorist group Boko Haram.[9]

All of the scholars agree that Chad is facing hard times and has a poor economy. Interestingly, according to both Yorbana and Enobi, the reason for the bad economy is not directly Chad's fault. Both authors see eye to eye that the reason is caused by outside factors, and is not caused by the government or people of Chad itself. On the other hand, Marchal claims that the reason is directly related to the internal government, specifically the president. All of the authors differ when it comes to their specific reasons for the bad economy. Marchal says the reason is caused by Idriss Déby's bad leadership. Yorbana believes that it is because of other countries exploiting the country's oil. Enobi claims that Boko Haram is the cause of the poor economy. The scholars have reached different conclusions since they have all focused on different aspects of the problem, with one focusing on the government aspect, one zooming in the resource aspect, and one focusing on the terrorist aspect. Marchal is the author with the best reason because the bad leadership is the root of the problems. The oil exploitation and the terrorist attacks could be solved if they had a better government.

Chad has one of the highest hunger levels in the world. Out of its population of 15.5 million people, 62.2 percent live in severe poverty.[10] The reason is because of the bad leadership of its president, Idriss Déby, other countries exploiting its oil, and because of Boko Haram. However, not all hope is lost for Chad's future. There are many organizations, such as the USAID, that are doing whatever they can to help Chad. They create economic opportunities such as making jobs, engaging communities, and the like.[11] It is interesting to see how some previous exceedingly poor countries grew into some of today's superpowers. With hard work, Chad can overcome its challenges and develop into a thriving economy.

9 Enobi, Akepe Linus. "Terrorism Financing: the Socio-economic and Political Implications of Boko Haram Insurgency in Lake Chad Basin." *Academic Journal of Economic Studies*, 2016, https://zbw.eu/econis-archiv/bitstream/11159/304/1/AJES_article_1_42.pdf

10 Jibidar, Claude. "Chad." World Food Programme, 2021, www.wfp.org/countries/chad#:~:text=Chad%2C%20in%20Central%20Africa%2C%20has,hunger%20and%20poverty%20in%20Chad.

11 https://www.usaid.gov/chad/our-work

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# The Impact of the Resource Curse in Zambia

*Chaya Friedman | Grade 9*

"We are in part to blame, but this is the curse of being born with a copper spoon in our mouths."

-Kenneth Kaunda, former president of Zambia

Despite having an abundance of natural resources such as cobalt, copper, coal, lead, silver, zinc, emeralds, and gold, Zambia is struggling economically.[1] The country's industries include emerald mining, construction, agriculture, tourism, and energy yet it relies most heavily on copper mining and therefore is liable to fluctuate depending on its prices.[2] Upon Zambia's independence in 1964, already-established copper mines from its time as a British colony supplied much of the government revenue (41% of the GDP as of 1965) and allowed for Zambia to emerge as one of the wealthiest nations in Africa. In 1968, however, president Kenneth Kaunda announced plans to nationalize mines due to disagreements concerning royalties and an absence of new investment. In 1973, the process was completed, and mines were taken over by the Zambian Consolidated Copper Mines (ZCCM). Under government control, mines experienced a decline in production and efficiency, only worsened by falling copper prices and a lack of capital investment. In the late 1990s, the country began the process of privatization and decentralization of the government. Introducing a free market system, the creation of the Zambian Privatization Agency converted state-owned enterprises into privately owned, ushering in a brief period of growth in production and foreign investment.[3] Although privatization initially yielded economic benefits, today Zambia has a poor economy due to volatile copper prices, mismanagement of resource rents, corruption within the government, and inadequate health and education systems.

In her paper "The Resource Curse: The Cases of Botswana and Zambia," Audria Crain explains that Zambia is suffering economically despite having an abundance of natural resources due to various factors explained by the resource curse hypothesis. Copper, the country's principal export, routinely fluctuates in price, and as the Zambian government has inadequately diversified away from the metal, such instability leads to an overwhelming amount of debt and the inability to fund new projects. This is only exacerbated by bad policies and a failure to implement needed ones. Due to corruption within the government, legislation is often based solely on political agenda, and policies are instituted that distribute profits from copper (called resource rents) to groups displaying party loyalty.[4] Furthermore, in her paper "Zambia: Governance and Natural Resources," Karolina Werner explains that mines, which were alike to small governments when nationalized, provided citizens with schools, hospitals, recreational facilities, roads, and other such services. Privatization of mines was arranged with expectations that these provisions would be maintained and even expanded, yet legacy mines have not been delivering on their promise, often leaving communities without adequate services. Part of this issue stems from the government's handling of privatization. The Development Agreement (DA) outlines each's responsibilities, including the taxes mines must pay the government. Despite this, the details of the negotiation are not available to the public, marking a trend of corruption characterized by vagueness and secrecy. The Zambian government has also breached the DA on various occasions by raising taxes for mines. The numerous disputes between government and industry and the constant changes to the taxation of mines has frustrated companies, resulting in a lack of new foreign investment, detrimental to an

1 Thomas, G. "Zambia: Mining, Minerals and Fuel Resources." *AZoMining.Com*, 1 Oct. 2020, www.azomining.com/Article.aspx?ArticleID=89#:%7E:text=Zambia%27s%20natural%20resources%20include%20uranium,zinc%2C%20emeralds%2C%20and%20gold.

2 Migiro, Geoffrey. "What Are The Biggest Industries In Zambia?" *WorldAtlas*, 21 May 2019, www.worldatlas.com/articles/what-are-the-biggest-industries-in-zambia.html.

3 Werner, Karolina. "Zambia: Governance and Natural Resources – Revue Gouvernance –." *Érudit*, 2016, www.erudit.org/en/journals/gouvernance/2016-v13-n2-gouvernance02996/1039239ar.

4 Crain, Audria, "The Resource Curse: The Cases of Botswana and Zambia" (2010). Electronic Theses and Dissertations. 144. https://digitalcommons.du.edu/etd/144

economy already faltering from falling copper prices.

In her article "Education and the Economy: Achievements and Shortfalls in Independent Zambia," Michelle Miwalu details how Zambia, though resource-rich, is in a state of poverty. Such an economy is due in part to the country's reliance on copper and a failure to diversify economically, as well as poor policies and government programs such as education. Zambia has a long-term development plan called Zambia Vision, which aims to uplift the country into middle-income status by 2030, lessen poverty levels, and diversify resources, among various other goals. The Vision is complemented by five-year plans, revised to fit current needs. However, recent additions barely discuss education, and as in other years, the budget available for it has been lowered. This meager spending has resulted in a deteriorated and poor system, and the budget is often released with such delay that much of the money is never dispersed. Approximately 84% of the budget is used for salaries rather than developments in the system and schools. As the government aims to diversify the economy, such a decision is a mistake on their part. Citizens must be educated so they can easily be integrated into the workforce of new companies and industries. Well-educated workers can better complete tasks that require literacy, critical thinking, and the myriad other skills gleaned from schooling. Additionally, a substandard education system has led to fewer college graduates and a decline in skilled health care workers, especially in rural areas, where 61% of the population lives.[5] Such a shortage affects the quality of the country's healthcare system and contributes to higher mortality rates for Zambian citizens, resulting in an oftentimes inadequate amount of people contributing to various industries and intensifying the country's declining economic state. The government must further invest in its citizens, shifting the country's primary source of income away from copper through contributions to education, which will positively impact the health system, the quality of life in Zambia, and economic performance.

In their respective papers, scholars Audria Crain, Karolina Werner, and Michelle Mwalu reach similar conclusions regarding Zambia's economic state, yet focus on different aspects of the problem. All emphasize that the root of the issue is the country's failure to diversify away from copper, whose price oscillation is the largest factor towards the fragile economy. Additionally, all the scholars recognize that government corruption, which leads to poor economic policies and the mismanagement of resource rents, plays a substantial role in Zambia's economic struggle. Crain explains how the economic consequences of low copper prices can be alleviated through effective policies. However, due to such corruption, the government oftentimes enacts inefficient legislation to serve a political agenda. Werner furthers this point through a description of the DAs and the conflict between government and industry. The government's management of privatization has resulted in legacy mines' forsaking their role and the services they once provided their community. Moreover, the government has kept the details of the negotiation from the public and violated it numerous times, raising taxes for mines and negatively affecting foreign investment. Mwalu, on the other hand, details the effects of government corruption on education, noting that due to the poor system, there has been a shortage of healthcare workers, contributing to a lower life expectancy and a decreased amount of citizens able to contribute to the economy. While Mwalu and Werner focus on specific aspects of the situation, Crain discusses the full picture and explicitly identifies the cycle of over-reliance on copper, government corruption, flawed policies, and poor economic performance. Despite such differences, all of the scholars agree on the broader points of their arguments and the underlying factors behind the paradoxical nature of Zambia's economic struggles.

While Zambia possesses an abundance of natural resources and provides 70% of Africa's copper supply, due to falling prices and poor policies caused by government corruption, it is plagued by the resource curse.[6] The government's disputes with the copper

5 Prust, M.L., Kamanga, A., Ngosa, L. *et al*. Assessment of interventions to attract and retain health workers in rural Zambia: a discrete choice experiment. *Hum Resour Health* 17, 26 (2019). https://doi.org/10.1186/s12960-019-0359-3

6 Pistilli, Melissa. "Copper in Africa: DRC, Zambia, South Africa and Namibia." *Investing News Network*, 3 Mar. 2021, investingnews.com/daily/resource-investing/base-metals-investing/copper-investing/copper-in-africa-south-africa-drc-zambia/#:%7E:text=Copper%20mining%20in%20Zambia,the%20red%20metal%20that%20year.

industry, its failure to comply with the terms of the DAs, and its constant changes to the taxation of the mines have stoked tensions and reduced foreign investment. Additionally, the lack of funding and attention towards education has led to a shortage of health workers, a weaker health system, and therefore a lack of economic contributors in other areas of the economy. Besides diversification, the government must work to alleviate poverty within the population through the creation and distribution of new jobs. Currently, around 60% of Zambians live below the poverty line, 4.8 million don't have access to clean water, and due to housing shortages, 70% of the urban population live amongst critical sanitation and water issues.[7] A vicious cycle has been created as high mortality rates, little access to basic necessities, poor education, and few good job opportunities leave little room for economic mobility. More time and resources spent on this issue as well as an increased number of jobs is essential. Diversification will ensure that Zambia is not overly reliant on the copper industry and will stimulate the economy by creating new jobs. Not only would this utilize more economic manpower, but would greatly improve the quality of life for millions of Zambian citizens.

7 "Overview." *World Bank*, www.worldbank.org/en/country/zambia/overview. Accessed 19 Mar. 2021.

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# The Impact of the Resource Curse in Sierra Leone

*Yehudis Kundin | Grade 9*

Sierra Leone, a country located along the west coast of Africa, is extremely rich in valuable natural resources and minerals such as diamonds, rutile, bauxite, gold, and iron. However, its poor economy continues to confound observers. In the early 1800s, after slave trade was abolished, Sierra Leone became a settlement for many freed slaves. England took control of the settlement and eventually declared it as their colony, preventing the French from colonizing it. This enraged Sierra Leoneans, so they revolted and eventually gained independence in 1961. Their early years of independence ran smoothly, but soon corruption in the government began, and the economy went downhill from there.[1] Currently, the majority of the country lives in dire poverty with two-thirds of the population of Sierra Leone depending on subsistence agriculture.[2] Mineral exportation is their primary foreign investment generator. In addition, Sierra Leone is a part of several organizations designed to boost its economy such as the International Monetary Fund programs, and the Economic Community of the West African States. However, Sierra Leone remains one of the poorest and least developed countries in the world.[3] The major civil war that broke out in 1991 killed or displaced about a third of the entire population and left the country in a terrible state.[4] Although it has a great abundance of natural resources, Sierra Leone suffers immensely today because of government corruption, exploitation of diamonds, and poor infrastructure.

Nathan Sebree explains Sierra Leone's resource curse in his article "Why Sierra Leone has failed to achieve economic prosperity." He states that the underlying reason for this dire poverty is the negative impact of the civil war that lasted for over a decade, destroying and hurting thousands of people. In addition to torture and pain, the war also destroyed much of Sierra Leone's infrastructure. Roads and buildings, for example, were left in a terrible condition. However, following the war, the government was more focused on promoting human welfare and helping the people physically rather than rebuilding the essential components of infrastructure. Sebree saw for himself that over 17 years after the war, many roads and buildings in Sierra Leone were still in disrepair. This is extremely detrimental to the Sierra Leonean economy. Civilians that live far away from their metropolitan center have a difficult time transporting back and forth. The poor condition of the roads makes it nearly impossible for the use of vehicles. They have to walk many miles to get to the next city or walk a few miles just to get to paved roads where transportation can be taken to the next city. Due to this difficulty, the majority of the country isn't able to acquire a quality education or high-skill jobs. This is a major factor of Sierra Leone's poor economy. People must be given the ability to contribute to the economy for it to rise, and the run-down infrastructure must be taken care of for the economy to start to build up again. In addition to this, a quarter of the population was displaced and trained to fight during the war. This left an enormous number of people with an inability to farm following the end of the war in 2002. The agriculture sector is the backbone of Sierra Leone's economy, and if there aren't enough people farming, a decrease in the economy is inevitable. Additional damage that was caused by the brutal civil war was the inability to establish industries to refine their natural resources. Therefore, they'd have to send their natural resources to other countries to be developed into consumer goods. Sierra Leone cannot benefit from their resources as much as they should because most of the value goes to the other countries that are refining these minerals. Sebree claims that the civil

1 Sesay, Shekou M. "Sierra Leone." *Encyclopædia Britannica*, Encyclopædia Britannica, Inc., www.britannica.com/place/Sierra-Leone.

2 "New Agriculturist." *New Agriculturist: Focus on... Settling for a Future in Sierra Leone*, Nov. 2007, www.new-ag.info/en/focus/focusItem.php?a=291.

3 "Road to Peace and Democracy in Sierra Leone Will Be Bumpy, Warns UN Official | | UN News." *United Nations*, United Nations, 14 Sept. 2009, news.un.org/en/story/2009/09/312352.

4 "Sierra Leone." *Sierra Leone Economy: Population*, GDP, Inflation, Business, Trade, FDI, Corruption, www.heritage.org/index/country/sierraleone?version=180.

war that engulfed Sierra Leone in pain, terror, and destruction is the core cause for all the problems that are affecting their economy. [5]

J. Anyu Ndumbe discusses different aspects of Sierra Leone that seem to be causing their poor economy in his publication "Diamonds, Ethnicity, and Power: The Case of Sierra Leone". He starts by looking at the history of Sierra Leone post-independence. Sierra Leone has had a harsh and corrupted political background. Back in the mid-1900s, laws were being passed that favored certain groups of people. Oftentimes local concerns weren't addressed properly, and this led to the formation of various ethnic groups fighting for power. The major struggle for power between the Sierra Leone People's Party and the All People's Congress in 1961 is just one example of the many political obstacles that Sierra Leone went through. As the power jumped from one group to the next, fluctuation in the economy ensued. Each group prioritized a different sector, whether agriculture, diamond mining, or the rebuilding of institutions. This is the reason why none of these aspirations were carried out to the full extent, and the economy didn't rise to its full potential considering the amount of money that could've been made by all the various industries. Each leader focused on a different goal. These numerous fights for power ultimately led to the prominent civil war from 1991-2002 which caused a major decrease in the economy. Sierra Leone's most notable resource, diamonds, was then misused to fund these wars. Although diamonds have a great potential for lifting the economy, they can also be easily concealed and exchanged for currency from many different countries. Various angry political parties took advantage of the latter and used the diamonds only to create violence and terror, rather than peace and prosperity. In addition, governments in Sierra Leone continuously failed to regulate diamond mining and smuggling. This is very likely due to the major frenzies caused by political races for power, the desire for self-gain, and greed for money by the political leaders. The exploitation of diamonds together with the struggle for control over diamond mines led to conflict and war, which subsequently caused a decline in the economy. Other governments as well as the Sierra Leonean government took part in the major civil war. Countries such as Liberia, Niger, and Burkina Faso supported the RUF. They took part in the illegal trade of conflict diamonds for weapons, which were then used to promote upheaval and destruction in the civil war. Based on all these findings, it is easy to see that political instability caused a chain reaction of events resulting in the terrible state the country is in now. It caused chaos, misuse of precious resources, and civil war. A tremendous amount of international assistance is needed to heave Sierra Leone out of the pit they have fallen into. They need strict laws, strict regulations regarding the diamond mining industry, and the rebuilding of destroyed institutions and structures to give the citizens the ability to be educated and then help bolster the economy.[6]

Sebree and Ndumbe have come to their own conclusions on the reason for Sierra Leone's poverty. They each offered several ideas, some of them being quite similar. They both agree that the 11-year civil war made a huge impact on Sierra Leone's economy. However, Ndumbe goes further back in history to explain the causes of Sierra Leone's poor economy. He, therefore, comes to the conclusion that the various ethnic groups in Sierra Leone that were fighting for power caused the ill feelings and, eventually, civil wars. Then, those political parties who wanted the power would smuggle diamonds. In addition, he brings up the idea that Western trade is also a major contributor to Sierra Leone's economy today. Leading up to and during the civil war, rebels sold diamonds to Western countries who would then provide weapons for them. For years, these weapons caused pain and terror in Sierra Leone. Sebree focuses on the impact of the civil war in Sierra Leone. He explains that the government's lack of rebuilding the destroyed infrastructure in the country is causing the bad condition of the economy

5 Sebree, Nathan. "Why Sierra Leone Has Failed to Achieve Economic Prosperity." *The Daily of the University of Washington*, 24 Oct. 2019, www.dailyuw.com/opinion/columnists/article_3ac81730-f601-11e9-b518-cb6e4d351bbd.html.

6 Ndumbe, J. Anyu. "Diamonds, Ethnicity, and Power: The Case of Sierra Leone." *Mediterranean Quarterly*, Duke University Press, 1 Nov. 2001, muse.jhu.edu/article/20854/summary.

today. The civil war is what ultimately caused the destruction of infrastructure. The government could have invested in rebuilding it to allow ease of transportation, and therefore more participants actively working to improve the economy. However, the government is busy promoting human welfare and isn't rebuilding infrastructure. This is resulting in a poor economy. Although Sebree's conclusion seems logical, he did not look at Sierra Leone before the war. Therefore, because Ndumbe included more of Sierra Leone's history in his analysis, he has a more accurate explanation of Sierra Leone's suffering. He could definitely have explained the effect of the war in more detail. Sebree did a more thorough examination on the decline of the economy after the war and the detrimental effect of Sierra Leone's poor infrastructure. However, overall, Ndumbe has a more expansive and insightful conclusion on Sierra Leone's economy.

Based on all these findings, it is clear that no amount of precious natural resources will guarantee success and prosperity for a country. Sierra Leone has been gifted with a variety of valuable resources, yet it suffers from poverty, corruption, and chaos. However, Sierra Leone has hope. Because the cause is identified, the country can work on fixing what is in their control. They can start rebuilding their infrastructure, and they can create more security precautions in the area of selling diamonds. This can then prevent further trade of conflict diamonds. A few processes have already been put in place for this reason such as the Kimberley Process Certification Scheme.[7] Although the political aspect of the Sierra Leonean economy can be hard to fix, better management of diamond mines can, at the very least, prevent rivaling political groups from trading illegal diamonds to fund chaos and war. They can also channel some money into rebuilding their run-down infrastructure to open up more opportunities for people to get jobs and contribute to raising the economy. Accomplishing these tasks can ultimately lift Sierra Leone out of the turmoil they have been thrust into, and possibly give them the ability to start using their natural resources for the good of the economy and the people.

7 Reddy, Sumanth G., et al. "Conflict, Diamonds and the Political Economy of Instability in Africa." Taylor & Francis, 27 Apr. 2012, www.tandfonline.com/doi/abs/10.1080/19376812.2005.9756186.

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# Evaluating the Causes of Norway's Economic Prosperity

*Kayla Felman | Grade 10*

Modern-day Norway ranks as one of the wealthiest countries in the world. With its GDP per capita being approximately 18% higher than the European average, many countries use Norway as their model for economic development.[1] While Norway is most known for its profuse supply of oil and natural gas, it is also rich in other natural resources such as forests, hydroelectric power, minerals, and seafood. In light of Norway's abundance of natural resources, there was potential for Norway to economically decline, a paradoxical phenomenon known as the resource curse. However, Norway did the exact opposite. Through careful financial planning and management, Norway was able to take advantage of its resources and experience an economic boom. Norway soon became the 13th largest oil and 5th largest natural gas producer worldwide.[2] As a result of its strong economy, Norwegians enjoy a high quality of life. Not only does Norway offer universal healthcare and social insurance coverage, but it also provides tuition-free public schools.[3] However, living so comfortably comes with a price. In Norway the taxes are considerably high, ranging from 40 to 45% of GDP since the 1970s. The majority of these taxes are used to finance the Norwegian welfare state, including health services, education, and transportation.[4] When looking at a broad view of Norway's economic growth, the country's wealth can be attributed to its proficient management of natural resources and socioeconomic cultural values.

In his article titled "Avoiding the Resource Curse: The Case Norway," Steinar Holden attributes much of Norway's economic success to the establishment of a sovereign wealth fund. The Norwegian government instituted the Petroleum Fund, which would later be called the Pension Fund, in 1990. Since Norway understood how heavily its economy relied on oil, Norway decided to restrict government spending of oil-related income. Once the government has spent its allotted amount, all budget surplus must be stored away in a sovereign wealth fund and invested in international markets. When creating this fund, the goal was to protect Norway's economy from being in constant danger of a depression due to fluctuating oil prices.[5] Recently, this oil fund has been valued at one trillion dollars![6] However, even though the petroleum sector plays such a crucial role in the Norwegian economy, it is actually responsible for less than two percent of total Norwegian employment. Therefore, in an attempt to further involve the Norwegian people in this crucial part of their country's economy, the parliament publicized its desire for domestic companies to participate in the petroleum sector. However, at the same time, the government was not willing to tolerate mistakes from inexperienced and incompetent companies who couldn't handle their responsibilities. To merge these two desires, Norway decided that the international oil companies should take control at first, while simultaneously guaranteeing government control and participation from the Norwegian people. As time passed, the Norwegian companies were able to gradually acquire a more significant role in the petroleum operation. Holden highlights that precisely calculated financial decisions such as these were crucial to the country's economic success.[7]

In his discussion of Norway's economy, Erling Røed Larsen also gives Norway's well-designed and pertinent political and economic institutions much of the credit for Norway's defiance of the resource

1 "Norway - Overview of Economy." *Encyclopedia of the Nations*, www.nationsencyclopedia.com/economies/Europe/Norway-OVERVIEW-OF-ECONOMY.html.

2 "Norway." GECF, www.gecf.org/countries/norway.

3 Roosa Tikkanen, et al. "Norway: Commonwealth Fund." *Home*, www.commonwealthfund.org/international-health-policy-center/countries/norway.

4 "Taxation in Norway." *Wikipedia*, Wikimedia Foundation, 15 Mar. 2021, en.wikipedia.org/wiki/Taxation_in_Norway.

5 Holden, Steinar. "Avoiding the Resource Curse The Case Norway." *Energy Policy*, vol. 63, 2013, pp. 870–876., doi:10.1016/j.enpol.2013.09.010.

6 Reid, David. "Norway's $1 Trillion Sovereign Wealth Fund Grows despite a Volatile Quarter for Markets." CNBC, CNBC, 21 Aug. 2019, www.cnbc.com/2019/08/21/norways-1-trillion-sovereign-wealth-fund-enjoys-returns-on-stocks-and-bonds.html.

7 Holden, Steinar. "Avoiding the Resource Curse The Case Norway." *Energy Policy*, vol. 63, 2013, pp. 870–876., doi:10.1016/j.enpol.2013.09.010.

curse. Similar to Holden, Larsen emphasizes the impact of Norway's sovereign wealth fund on the country's wealth. Additionally, Larsen applauds the government's transparency and reliability regarding the oil profits. By publicly managing and equally dividing the revenues, the government was successful in preventing the exploitation of public policy for economic gain, also known as rent-seeking. Furthermore, Larsen commends Norway's decision to engage in protectionism. Through the use of price subsidies, transfers, and tariffs, Norway was able to protect and help local industries which were deemed as essential in the long term. In addition to clever financial strategizing, Larsen recognizes the impact of Norway's cultural values on its economic success. Due to the social norms as well as the national inclination for equality, the Norwegian people were confident that the oil wealth would be allocated fairly. The national understanding that everyone would profit from the oil prevented arguments regarding distribution, enabled the centralized government to carry out long-term goals, and generated a feeling of connection amongst the people. Throughout his article, Larsen describes how Norway was able to overcome the resource curse and instead become an incredibly wealthy nation.[8]

In their discussions regarding Norway's economy, Holden and Larsen agree that judicious governmental decisions, such as engaging in protectionism and creating a sovereign wealth fund, played a vital role in Norway's financial success. However, while Holden focuses on the impact of political policies on Norway's economy, Larsen also includes other possible factors. For example, Larsen stresses the influence of Norway's cultural beliefs on the country's financial growth. In Norway's egalitarian society, the people viewed themselves as a collective group and felt comfortable putting their trust in the government. While any country can try to replicate Norway's policies and economic strategies, Norway is unique in terms of its societal situation.[9] Throughout their articles, Holden and Larsen both address the weapons that Norway used in its battle against the resource curse.

While Norway has enjoyed years of economic success, the International Monetary Fund (IMF) anticipates that the country's budget will encounter difficult decisions in the future. Since the country is exhausting its oil reserves, the oil and gas revenues are predicted to decline. At the same time, pensions and health-related expenses will keep rising due to aging. These simultaneous forces will impel Norway to find new sources of income or use savings to cover the new expenses.[10] Regardless of these future issues, Norway is still considered an extraordinarily wealthy nation and serves as a model for other countries. All over the world, people have expressed their substantial support for Norway's careful resource management and sovereign wealth fund. Additionally, many scholars highlight Norway's strong cultural values as a key component in Norway's victory against the resource curse. Looking ahead, economists are eagerly waiting to see what's in store for Norway's economy.

8 Larsen, E.røed. "Are Rich Countries Immune to the Resource Curse? Evidence from Norway's Management of Its Oil Riches." *Resources Policy*, vol. 30, no. 2, 2005, pp. 75–86., doi:10.1016/j.resourpol.2004.12.001.

9 Larsen, E.røed. "Are Rich Countries Immune to the Resource Curse? Evidence from Norway's Management of Its Oil Riches." *Resources Policy*, vol. 30, no. 2, 2005, pp. 75–86., doi:10.1016/j.resourpol.2004.12.001.

10 "Norway's Economic Outlook in Seven Charts." *IMF*, 12 June 2019, www.imf.org/en/News/Articles/2019/06/11/na061019-norways-strong-momentum-the-ideal-time-to-address-long-term-challenges.

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# Did the Discovery of the New World Improve Spain's Economy?

*Ayelet Herskovitz | Grade 10*

With Christopher Columbus's discovery of the Americas in 1492, the economy of Europe changed dramatically. Spain, being the country that set Columbus out on the voyage in which he discovered the New World, got first dibs on all of its riches. During this period, Spain was seeing an abundance of precious metals and other resources. But how did they use all of this wealth? Did the discovery of the New World make Spain's economy prosperous or cause it to collapse? We would think the discovery helped the economy of Spain, but it had the opposite effect. With the drastic import of all this wealth, Spain got very overwhelmed. They didn't manage their finances well, and they became very money-hungry and greedy with the riches they received from the New World, causing their economy to function poorly.

Spain was rapidly seeing many riches coming to their country after discovering the New World, but they were clueless about managing all the money. Jaime Vicens Vives, a Spanish historian, studies Spain's economy over time in his book, Economic History of Spain. Vives writes that the reason for Spain's backward economy comes from what they are doing with their money. Instead of benefiting from the precious metals, the wealth led them to "unfortunate paths", which created a fake economy (Vives 6). Spain's ignorance of how they managed their finances ultimately led to their financial collapse in 1680. Vives calls the period of the 16th and 17th centuries the mercantilist period (Vives 6). A vital aspect of a prosperous economy is capitalism. But after receiving all of the new resources and wealth from the New World, they still had a mercantilist economy which was stopping them from growing. When there is capitalism, there is more business, and when there is more business, it brings more wealth and grows the economy of the country.

When Spain started importing many precious metals to their country, the government got greedy and more money-hungry. Roger Bigelow Merriman, a practitioner of scientific historiography and an American historian, writes in his book The Rise of the Spanish Empire in the Old World and in the New, how he thinks the cause of the economic problems of Spain after the discovery of the Americas came from the rulers. The government was very restrictive after the discovery of the New World (Merriman 223). They only had one port (Cadiz) going to America so no one else can get the riches. Even when people made petitions to have other seaports, they ignored them. To Merriman, this is "rigid supervision". The government had "monopolistic" control over the trade with the Americas. People were supervising things that were imported and exported (Merriman 225). They even restricted people from immigrating unless they had a license, and people who were four generations descendants of heretics were not allowed to go at all (Merriman 226). All the money and wealth from the New World went straight to the crown, causing the economy to fail. The more money transactions, the more money it brings to the country and grows its economy, but they didn't give the money to the country, the rulers took it all for themselves.

While Jaime Vicens Vives and Roger Bigelow Merriman come to the same conclusion, that Spain's economy was doing bad because of the lack of capitalism and money not being exchange throughout the country, they have different ways of getting there. Vives says the reason for this mercantilist society was Spain's bad management of their finances. Vives then explains that this led them to "unfortunate paths" (Vives 6), but he doesn't really explain what he is trying to express or give examples. He seems very vague. On the other hand, Merriman gives numerous cases to prove his point that money is not being exchanged. He writes about how the rulers are hoarding all the money and implementing many restrictions: only one port can have access to the New World (Merriman 223), people who wanted to emigrate needed a license from the crown (Merriman 226), four-generation descendants of heretics were not permitted at all to emigrate (Merriman 226), all the gold and silver from the New World went straight to the crown. Therefore, Merriman brings a stronger case and proves his reasoning in a more effective way than Vives.

Merriman is right that since the rulers were so restrictive and kept all the money for themselves, not letting it be traded and exchanged by the people, it didn't bring more money to their economy or make the country prosperous. By hoarding money, instead of putting it to the country, the money can't grow and help the economy. Because when there is a lot of business, transactions, and people determined to make money, they would trade with other countries and potentially bring in more money for their country. Although it is still important to consider how the crown spent the money and what else they did with all the resources, maybe they were somewhat prosperous with the resources they received from the New World. Did they share all these new foods with everyone, or was it just with the rich people? How much did they share? History is not perfect and exact. You can't say they didn't share all the riches. They probably did share some.

The discovery of the New World and all of its resources boosted Spain's economy, but it had also led to inflation which caused other economic problems. Christopher Columbus's discovery of the Americas had a long-lasting impact on Spain. It encouraged them and motivated them to keep fighting, knowing that they can accomplish something big. Spain was known to be one of the wealthiest countries in the world in the late 1500s. After 2009, when Spain fell into a recession, they got back 85% of the GDP they lost in just two years (2015-2016). And by 2017, they had recovered all they had lost from the economic crisis. Now because of COVID-19, their GDP fell with the rest of the world. Economy Minister Nadia Calvino predicts that Spain will get back up in 2021 and fully recover in 2022.

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# Debating the Impact of the Marshall Plan on Germany's Postwar "Economic Miracle"

*Ariella Kornbluth | Grade 10*

Economics, by definition, is "the condition of a region or group as regards material prosperity" (Oxford Languages). Due to it being the study on a nation's wealth and trade prosperity, it is one of the most dynamic areas of study when examining any country. Germany in the 20th century was subject to massive economic instability due to its role in both of the World Wars. Particularly after the second World War, the German economy went through a complete metamorphosis. They went from having one of the worst economies, to being globally recognized for their economic prosperity within 20 years. While many historians agree on the basics of this economic miracle, dubbed as the Wirschaftswunder, and accredit the cause of this economic rebirth to new policies and adaptations to the monetary systems, there is some conflict as to whether the Marshall Plan, which is the most famous cause, was actually as impactful as people thought.

World War II was probably the most impactful conflict on all of Europe's economies. The aftereffects of this war hit Germany especially hard. In Germany, over seven million forced laborers left after being granted freedom, industrial output was down by a third, and housing stock was reduced by 20%. Food production was reduced by 50% compared to before WWII, due partially to the Soviet Union, which had control over East Germany, cutting off trade between the newly formed Eastern and Western parts of Germany. The German government also retained Hitlers food rationing system, and established heavy price controls. Additionally, most men from ages 18-25 were either dead or injured after the catastrophic war, so there were many less people who were able to provide for their family and in the workforce. Standards of living dropped to levels that were not seen in over a century, and high inflation rates made savings lose almost 99% of their value, resulting in many people's life savings becoming too meager to live off of. Due to the price controls, a black market leapt forward, which completely destroyed the economy. But, further down the line, in a mere twenty years, the Western German economy was envied by the rest of the world. What brought this incredible "economic miracle"? According to most historians this growth was due to three main factors; currency reform, the elimination of price controls, and the reduction of marginal tax rates during the years 1948-1949. A fourth, and most widely known cause was the Marshall Plan, which was passed in America in 1948, to aid and support Western Europe. This last cause is particularly controversial, as many economic experts and historians argue whether or not it actually had as much of an impact as it was supposed to.

David R. Henderson is a widely known economist and author, most famously known for serving as a senior economist on President Reagan's Council of Economic Advisors. He is one of the primary editors of The Library of Economics and Liberty, an encyclopedia, and in it wrote an article on the German Economic Miracle. In this article, Henderson briefly analyzes the state of Western Germany prior to the Economic Miracle, and identifies the main reasons for the great shift. According to Henderson, the main problems with the economy were the price controls, previously established by Hitler in order to accumulate more funds for his war, and rationing, instigated by his deputy, Goering, that were kept in place by the Allied Control Authorities post war. All of this, combined with the inflation in Germany from the increase in actual money, led to shortages, since the value of money decreased when the supply of money went up, and the prices rose only a fraction. According to Henderson, the "price controls on food made the shortages so severe that some people started growing their own food, and others made weekend treks to the countryside to barter for food" (Henderson). One of the main instigators of change was Ludwig Erhard from Germany. In 1945 he was appointed the Bavarian Minister of Finance, and in 1947 he was promoted to the director of the bizonal Office of Economic Opportunity. He, alongside the U.S. General Lucius D. Clay passed a currency reform and a price decontrol ordinance on June 20th, 1948. The currency reform essentially contracted the money supply up to 93%. This helped reduce the inflation and shortages, for the new currency Deutschemarks, were in much smaller supply than the previous currency, Reichsmarks. Another tactic the government employed was to cut tax rates. The corporate income tax rate dropped from 35-65 % to a flat 50%. Henderson goes on to write why he doesn't believe the Marshall Plan was one of the main causes for the economic miracle. Firstly, the Marshall Plan aid at its peak was less than 5% of German national income. The total money donated to West Germany from the Marshall Plan and other programs was only 2 billion. While that may seem like a lot, it must be put into context that the Allies charged West Germany DM 7.2 billion annually (which was then roughly $2.4 billion) for the cost of the Allies occupying West Germany for "defense". Additionally, West Germany was spending well over 1 billion dollars in reparations after the war. The money from America, while it seemed to be helpful, had very little impact in lessening the financial burden. Further proof to the Marshall Plan being irrelevant is Belgium's recovery. Belgium's recovery was by far the quickest in all of Europe post World War II, and their recovery entirely predated the passing of the Marshall Plan. Using all of this evidence, Henderson strongly supports his opinion of the lack of an impact the Marshall Plan had on Western Germany.

While Henderson is correct about the significance of Erhards developments to the economy of Germany, not every economist agrees with his disregard for the effect the Marshall Plan had on Western Germany, and Europe as a whole. Nate R. Hodder, in his paper, "Wirtschaftswunder: A Study into the Causes and Catalysts of the German Economic Miracle", discusses how the Marshall Plan was very successful in aiding the German economy. Hodder writes that the goal of the Marshall Plan wasn't just to supply money, but was to stop "the spread of Communism to the European countries that had been substantially weakened by the war" (Hodder 28). Another purpose of the Marshall Plan, specifically with Germany, was to allow Germany to help the Western European states stabilize and rebuild their economies and trade. Both of these goals were met by the Marshall plan, even if the money contributed didn't cover all the expenses. The countries would not have stabilized or developed as much intercountry trade without the final push of the American government. Hodder writes, " This [The Marshall Plan] resulted in substantial foriegn investment in the West German economy and allowed for further stimulation of domestic industry and the repairing of their broken infrastructure (highways, hospitals, powerlines, etc.)" (Hodder 28). Similarly, Susan Stern, in her writing "Marshall Plan 1947-1997: A German View" further explains how not only was the Marshall Plan not just about how much money America gave West Germany, but how even though they were only given 2 billion dollars, that helped their economy immensely. Stern explains that even though 2 billion dollars doesn't seem nearly enough compared to their debt, Western Germany used the money it was given very wisely, since they didn't know how much money they were going to have to repay the US. As a result, they only used the money to be given in loans with interest, so that the money would grow over time. Finally, Stern argues that the Marshall Plan was indisputably effective due to the Marshall Plan Myth. She explains that many young Germans know of the plan and attribute the economic miracle solely to the Marshall Plan. Even if scholars may have proven that in reality the funds may not have been as helpful as one may assume, that doesn't mean the plan wasn't productive. Stern writes, "the Marshall Plan certainly did play a key role in Germany's recovery, albeit perhaps more of a psychological than a purely economic one. The Plan also gave the Germans back some of their self-esteem. It opened up new perspectives. It gave them the boost- a positive mind-set - which released their energies and made them work all the harder to rebuild their country. The Marshall Plan did what it set out to do - help the people help themselves" (Stern 7). Stern is bringing proof to a steel bound fact - the power of the brain and mindset. Quite like a placebo pill, sometimes just the thought of something helping you makes it easier to do the task you need to do. The Western Germans believed that the Plan would solve all of their problems, and would completely repair their economy, so they began working on their country with total optimism that they would regain strength. It gave the Germans back the confidence they lost after the horrific events of WW2, and gave them something to work for. Even if America tripled the funds coming into help Europe, nothing would have mattered if the Europeans didn't believe that they can rebuild. As General George C. Marshall said in his speech on rebuilding Europe, that “the initiative, I think, must come from Europe”(Marshall).

Both of these opinions on the success, or lack thereof, of the Marshall Plan, have logic and reason behind them. But when practically considering the different sides, one should consider where each scholar is coming from. Henderson states that the Marshall Plan lacked relevance due to the insignificant amount of funds it gave compared to Western Germany’s overall debt. If one was looking at this from a purely financial perspective, then Henderson’s opinion would ring true. But Stern and Hodder argued that the Marshall Plan was not simply a financial plan. The goal was to reestablish and rebuild Europe, as well as teach the countries to fix themselves. It was more focused on the economy of Europe rather than just the financial position. The economy is the financial status of a country along with how the government utilizes the amount of money allocated to develop the country.

With Stern and Hodder’s reasoning, one can see that the Marshall Plan’s goal was not just to fund Europe, but rather to help instigate the rebuilding of postwar Europe, and in this aspect, it was largely successful. With this in mind, Stern and Hodder’s opinion would seem more accurate due to the understanding that the financial aid given was not the singular action of the Marshall Plan. The Marshall Plan was a way of showing the world that the U.S. and other Western powers were interested and striving to help the rebuilding of the economies of Europe. This helped boost the public opinion that the economy would rebuild and remain stable. This resulted in the investment of countless dollars from private sectors into Western Europe which further helped rebuild these war torn countries. It was in this manner that the Marshall Plan was so efficient. Overall, the Marshall Plan was very effective because it helped rebuild Europe from the ashes and restore it, and its economy, to its previous glory.

Currently, Germany has one of the best economies in Europe. This predominantly is a result of the German economic miracle of the late 40s and 50s. Through all of the methods listed above, the German economy was able to pick itself back up after the war. From examining the economy of other countries throughout history we are able to see how it is reflected in modern times. This is essential to all modern development, for history has a habit of repeating its mistakes.

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# Understanding Greek Economic Instability in the Eurozone

*Chavi Weiner | Grade 10*

Greece is no stranger to economic problems, having faced many throughout history. Even prior to the Greek entry into the Eurozone, the Greek economy was facing economic challenges. The history of modern Greece began in 1829 when it became an independent nation after 400 years under the rule of the Ottoman Empire. From then, until the mid-1900's they periodically borrowed money and defaulted. During the 1950s the fiscal situation of Greece stabilized and remained so until approximately 5 years before they joined the EEC (European Economic Community) in the 1980s. It improved again in the 1990s allowing them to enter the EMU (Economic Monetary Union) in 2001; though under false pretenses as they did not fully meet the requirements. This led to many repercussions for the Greek economy and Greece as a whole as this resulted in a period of poverty. Although Greece joining the Eurozone should have helped its economy, many factors prevented it from achieving its goal thus causing them to remain in an impoverished state.

Oltheten, et al argue that the cause of Greece's poor economic system was due to many factors including systemic tax evasion, corruption, and ineffective government, poor conditions for private enterprise, and a poor education system. Oltheten, et al believe that tax evasion played a big role in the Greek economy's underperformance, as it has become almost accepted that people don't pay their taxes. The ramifications of this are that the government doesn't have the money it needs to fund needed expenditures, it gives dishonest people an unfair advantage negatively affecting the growth of honest private businesses, and the government is forced to use the little money it has to investigate and try to collect the taxes due to them. This also demonstrates the ineffective government Greece had. Oltheten, et al further explains that the ineffective government made it difficult for private companies to do business as there are different regulations for the various groups and it is very hard to comply with everyone's differing rules and regulations. Their economic state was also impacted by the educational system in Greece which Oltheten et al describe as subpar at every level. This makes it difficult to maintain a workforce with a competitive advantage over other countries that have a stronger education system. The problem is exacerbated by the fact that the state provides most of the higher education as opposed to the private sector and therefore brings elements of corruption there as well, which further impinges on the education provided. Furthermore, Oltheten, et al explains that, despite their abundant resources, they were not as successful in trade as one may expect. Greece had the resources for successful exports and had an export-oriented economy, yet given their available resources they perform below expectations due to the pervasive corruption in Greek culture as well as the excessive regulations that make it difficult for businesses to operate. There are however two industries that should thrive in this environment: tourism and merchant shipping. Greece's location in the scenic Mediterranean area, history, and climate make it an ideal vacation destination. It is also located where Europe, Asia, and Africa converge. However, Greece's tourism industry was negatively affected as people were afraid to travel to Greece with the upheaval and fear of a possible exit from the EU. Merchant shipping is also an important industry given Greece's location and tax policies which favor merchant shippers (Oltheten, et al, 317-335). All of these areas highlighted by Oltheten, et al express the role of the people in the economic downfall of Greece when they entered the Eurozone.

However, Copelovitch et al takes a different approach as to why the entry into the Eurozone affected Greece so negatively. In 2001 Greece adopted the Euro in place of the drachma for financial transactions among other countries in the Eurozone. However, the idea of a universal currency and universal monetary policies for many diverse countries was inherently flawed. The reason for this being that countries were in very different economic states. This makes the idea of a single monetary policy problematic as different countries have different needs. Thus, if there is only one centralized bank (the ECB- European Centralized Bank), there is only one interest rate among all the countries which while helped some, significantly hurt others. This impacted Greece as the low-interest rate encouraged the Greek government to borrow money which increased the deficit and caused Greece to sink deeper into debt. Also, Copelovitch et al explain that despite having one universal interest rate, every member of the Eurozone set its own regulations which led to countries taking more risk than they should have. Copelovitch et al illustrate this idea with Greece. Greece took on more risk than it should have and it affected its financial market which thus affected the Eurozone in general as the financial markets were interconnected. Had there been a centralized regulatory policy-making body, these issues could have been prevented. Furthermore, Copelovitch et al explain that countries such as Greece took advantage of the idea of the Eurozone. The Greek government borrowed excessively as it felt that the Eurozone would bail them out as not doing so would harm everyone in the Eurozone (Copelovitch, et al. 811-840). These ideas show how Copelovitch et al believe that the negligence of the Greek government is a factor in the economic downfall of Greece in the Eurozone.

While both Oltheten, et al and Copelovitch, et al may cite similar sources, they seem to come to different conclusions on the factors of Greece's economic downfall and thus take different approaches in addressing the problem. Oltheten, et al, view this issue through an economic lens while Copelovitch, et al, view it through a political lens. This can be seen by Oltheten, et al, explaining how the crisis occurred through explaining the economics of the Greek citizen and Greek government. This contrasts with Copelovitch, et al, as this source looks at the factors through a political sense faulting the government for acting irresponsibly.

While both interpretations are significant, the view of Copelovitch, et al, seems more valuable as the political aspect had more of an effect on Greece. This is because a lot of the problems brought up by Oltheten, et al, are the citizens' fault. However, it is the job of the government to not only act responsibly, but also govern their citizens and enforce that law. Therefore, looking at this in a political sense is more valuable as it has more of an impact on society. Also, the crisis occurred primarily through political reasons as a government has more control than an average citizen. Furthermore, as this is a contemporary issue and the sources cited are recent, they are quite similar and mostly come from journals, reports, and news articles. However, there are multiple ways to interpret a situation, especially if it is being witnessed first hand. This can be seen with both sources. While Oltheten, et al, interprets the situation as primarily an economic issue, Copelovitch, et al, offer a different perspective explaining it through a political lense.

Another reason the sources may have come to different conclusions is based on the way it affected people differently. As it is a very recent issue and people were affected so recently they can remember the precise account of what happened. This leaves room for many interpretations of the situation. Furthermore, this issue is still very relevant. Therefore, there are always new accounts that may lead to different explanations and analyses of what happened and what is still going on.

While Oltheten, et al, and Copelovitch, et al, give insight as to why Greece's entry into the Eurozone affected its economy so heavily, Oltheten, et al, seems to be faulting the individual Greek citizen while Copelovitch, et al, seems to be faulting the Greek government. In Oltheten, et al, the article explains how systemic tax evasion, corruption, ineffective government, conditions that make it difficult for private enterprise, and a poor education system significantly affected the Greek economy in the Eurozone. This seems to be mostly blaming the individual Greek citizen for the economic failure of the Eurozone for example systemic tax evasion viewed by the masses as an acceptable practice led to the government not having the necessary funds to help them come out of debt. Individuals not paying their taxes also fostered an environment of rampant corruption. As individuals were not doing their jobs as citizens, it led to the government not doing their job adequately. This is because it is a two-way street. The government cannot function correctly if individuals are not doing part and vise versa. This dishonesty severely hurt the honest private businesses as they had to make up for the lost tax revenue of the dishonest citizens. All of this corruption also led to Greece having a weak education system because there was a lot of nepotism throughout the education system as the educators were not the most qualified; it led to the Greek demographic being subpar.

However, Copelovitch et al take a different approach to this issue. Copelovitch et al blame the Greek government for the downfall of the Greek economy in the Eurozone. This is because the Greek government borrowed excessively, taking on more risk than they should have and generally acting irresponsibly, and relying on a guaranteed bailout from the Eurozone if their irresponsibility led to Greece finding itself in or near bankruptcy.

While on the surface Oltheten, et al, and Copelovitch, et al, seem to be attributing the Greek economic downfall to different causes they really are one and the same as it was the Greek government that led to all of the issues listed by Oltheten, et al. Had the Greek government been strong and strict, none of these issues would have occurred. For instance, had the government enforced their laws and not allowed tax evasion to become an accepted part of the Greek culture the widespread corruption that ensued and affected the private sector and the education system would not have occurred. Thus while Oltheten, et al, and Copelovitch, et al, seem to be addressing different causes, they are both attributing the problem to a lack of a strong and effective government.

Despite Greece's ineffective government, it is important to consider the effect neighboring countries had on Greece's economy. Matthew Johnson, in comparing Greece and Germany, saw that for most of the 2000s the interest rates in Greece were quite similar to those in Germany. However in the years following the advent of the Euro the competitive gap that had existed before now widened as the German goods and services were getting increasingly cheaper than those in Greece. As they were now using the Euro they were no longer able to devalue their own currency as they had previously done which hampered their ability to turn the situation around at an early stage. Additionally, Johnson explains that Germany was significantly more productive than Greece as they were not plagued by corruption and tax evasion, did not hamper the efforts of their businesses, and had a much stronger education system than that of Greece. All of Johnson's ideas signify how the economic crisis when Greece entered the Eurozone was the fault of the Greek government as compared to the government of other Eurozone countries (Johnson).

Many factors influenced the Greek economic downfall when Greece entered the Eurozone. The issues that they faced became cemented into the Greek culture. When something is a way of life it becomes very difficult to change, therefore Greece has not rebounded to its former glory as it takes more than 20 years to correct a way of life (2001-2021).

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# Debating the Impact of the New Deal's National Industrial Recovery Act

*Adina Hoffman | Grade 11*

As Franklin Delano Roosevelt assumed the Presidency in 1933, the economy of the United States and the United States itself were in perilous shape as the country attempted to survive what today we call the "Great Depression." Banks were failing and people who had saved for a lifetime lost their savings. Unemployment had skyrocketed to 25%. Businesses, large and small, and particularly small, were failing. Production at factories, mines and utilities declined by more than half. Stock prices fell by 90% from their highs. Farmers were losing their farms and homes as demand for produce dried up and prices of farm products fell. Those who were not farmers who were also now out of work, could not pay their mortgages and lost their homes. People who had lost their homes camped out in tent cities called Hoovervilles, named after President Hoover who's supposed "do nothing" policies were blamed for the collapse of the country. People were scared as Germany and Italy began turning to fascism and desperate people sought desperate solutions and many feared that the United States would follow.

Over the decades since the Great Depression, varying theories have been offered by economists, historians, and political scientists for the origins of the Great Depression. President Hoover focused on the way the Versailles Treaty compounded the destruction of the First World War by burdening the Allies with monstrous debts and Germany with unrealistic reparations payments. Former head of the Federal Reserve bank under Reagan and Bush, Alan Greenspan, found a multitude of reasons for the Great Depression, including: high tariffs by the United States and retaliatory tariffs by other countries which caused the collapse of global trading, rising unemployment forcing debtors to reduce consumption, leading to a decline in prices which led to general economic contraction, the crisis caused to American farming by competition from European agriculture, the Federal Reserve Bank keeping interest rates too low creating speculation and then raising interest rates too quickly and destroying the ability of business to borrow. The role of the Federal Reserve Bank in keeping interest rates low and then raising them is the cause according to historian Jim Powell. The Keynesian view is that reduced capital investment was compounded by the raising of taxes and interest rates and the failure of the government to inject money into the economy. Regardless of the causes, there was general agreement that something had to be done quickly by Roosevelt.

One of Roosevelt's first efforts to address the Depression after being elected with an overwhelming mandate and sweeping both the House and Senate, was to have his brain trust draft and have Congress pass the National Industrial Recovery Act (NIRA). The law had both economic, and what can be seen as moral, objectives. Many thought that cutthroat competition was bad for the economy and morally wrong. The solution was to force industry to engage in self-regulation, and for the government and industry to regulate and plan the economy. The NIRA effectively fixed wages and prices, suspended antitrust laws, prevented the entry of new companies into different fields and supported business working together as opposed to competing. The law created the National Recovery Administration (NRA) which created industrial codes for various industries including hours of work, salaries and prices. In addition, the NIRA protected the rights of employees to join unions and regulated their safety. This too was seen as morally good in addition to helping the economy by protecting workers. The NIRA also created the Public Works Administration (originally called the Federal Emergency Administration of Public Works) to provide funds to build large public projects and thereby, provide employment, stabilize prices and restart the economy.

Criticism of the NIRA was so intense that it has been characterized as "an historian's and economist's cliché" (Schlesinger, 175). The Democratic-controlled Congress refused Roosevelt's request to extend the life of the Act for two years. The NIRA was found unconstitutional by the Supreme Court in a unanimous 1935 decision in the Schechter case which embodied all that was wrong with the

Act according to its detractors. The case involved whether the federal government could set up rules for the sale of chickens to the consumer and prevent such practices as allowing kosher consumers to pick their chickens out from the pens before they were slaughtered. The case was called the "sick chicken" case since part of the case involved the Schechters selling a diseased chicken which was seen as severe governmental involvement in the details of business.

The famed historian Arthur Schlesinger, Jr. found there was good in the NIRA, as he believed that there was "an irresistible need for action." He finds its ends "economic stabilization and social decency-were necessary and noble" (Schlesinger 175) and that its "clumsy and circuitous ways" (Schlesinger 175) were required by the prevailing constitutional doctrine which limited the power of Congress to legislate directly on wages, hours and labor rights. Schlesinger conceded that the NIRA's economic contributions to recovery were limited and even constituted a "hindrance to recovery" (174) but still contended that it gave jobs to 2 million workers and resulted in an increase in wages.

Schlesinger praised the social accomplishments of the NIRA and believed that the NIRA gave the American people a tremendous sense of national solidarity. He noted that the NIRA established the principle of maximum hours and minimum wages, abolished child labor, ended sweatshops, made collective bargaining a national policy and elevated the position of organized labor.

In stark contrast, as suggested by the title of his book (FDR's Folly: How Roosevelt and His New Deal Prolonged the Great Depression), the historian Jim Powell found nothing good about the NIRA and contends it prolonged the Depression. Powell argues that the law did not lead to either an increase in employment or industrial output. In his view, the regulations drafted by the NRA were ridiculously severe and intrusive. He points to such extreme measures as a dry cleaner being imprisoned for three months for cleaning a suit at a price below that set by the NRA. Powell quotes prominent historians and economists who concluded the NIRA was a bad idea. For example, Powell quotes John Maynard Keynes, who generally favored government intervention in the economy as writing, "I cannot detect any material aid to recovery in the N.I.R.A…" (Powell 117). Powell argues that the NIRA had especially bad effects on blacks, increasing their job losses by 500,000 by allowing the unions to create labor codes that excluded blacks from jobs and by destroying lower paying jobs for unskilled workers who were often black. For Powell, the failure of the NRA is an example of how, according to Powell, the New Deal was destructive to the economy and compounded unemployment by interfering with the free market and raising taxes. Clearly reflecting his free market analysis, Powell writes "A government will best promote a speedy business recovery by ...letting people keep more of what their money, removing obstacles to productive enterprise." (Powell, xvi)

Both Schlesinger and Powell have very strong political viewpoints. Schlesinger was a well-known and well-regarded liberal historian. Powell is firmly entrenched in the conservative-libertarianism establishment having studied at the University of Chicago and now a senior fellow at the Cato Institute and editor at Laissez Faire Books. Knowing who the scholars are and their leanings, one can predict their conclusions. Of course, Schlesinger would try to defend the NIRA and Powell would attack it. What is less predictable is the quality of their sources, with Schlesinger having few objective sources but long on ideology and Powell carefully footnoting his claims and relying upon a wide variety of sources including liberal economists, historians, and contemporary figures including, not only Keynes but also economists Edward Chamberlin and Edward Mason, both from Harvard. On almost every page critiquing the NIRA, Powell cites and often quotes several prominent historians or economists. In contrast, Schlesinger relies heavily on those who formulated and enforced the NIRA who cannot be considered objective.

The decision as to which of the scholars is more correct depends in large part on the political views of the reader. Both Schlesinger and Powell largely agree the NIRA failed as economic policy. Their debate then largely focuses on their view of the free market. Schlesinger clearly believes that government intervention in the economy is needed at least in certain areas such as safety, hours and other working conditions. Powell clearly believes that such intervention destroys both individual freedom and the economy both. Schlesinger assumes that his readers will agree with his economic and political views and thus, does not devote much effort to proving his premises. In contract, Powell makes a reasoned case, supporting his views with historians, philosophers, and economists. As a result, the arguments are not on an even footing. It would have been far more helpful had Schlesinger supported his views as opposed to asserting them and relying on those who formulated the NIRA.

Scholarship apart, Schlesinger's view is the one that has been accepted. The vast majority of Americans believe in the government intervention in the economy that Schlesinger thinks is the valuable legacy of the NIRA. With the exception of the few people that share Powell's views, no one today argues for an end to government public works projects, regulation of hours and working conditions and regulation of business. While Presidents such as Reagan and Trump cut back on government involvement in business, even they did not suggest that the government should play no role, notwithstanding Reagan's view that government was the problem, not the solution. Today President Biden seems poised to seek an even greater role for the government in the economy. In an effort to respond to the crisis caused by the government response to COVID-19 and unequal distribution of wealth, Biden is following in FDR's footsteps in seeking more public works projects, more regulation of business and more distribution of wealth by the government. Hopefully, we have learned the lesson of the NIRA that requires caution in the formulation and institution of such policies.

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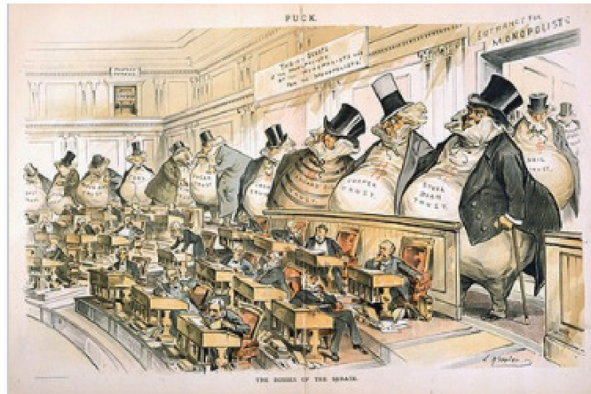
# Debating the Impact of the Sherman Antitrust Law

*Fayga Tziporah Pinczower | Grade 11*

By the late 19th century, America's second Industrial Revolution was in full force. In its cloud of smoke came automobiles, comprehensive railroads, electricity, the telephone, telegraph, and steel production, making mass manufacturing and distribution a possibility. Prior to the Second Industrial Revolution, various states had independent railroads but there was no national network of transportation, making it extremely difficult to transport goods long distances from the producer. Therefore, local businesses provided commodities like flour, sugar, fabrics, or soap. However, as technological advancements were made and the first national companies began to form, local businesses felt threatened, bringing the idea of antitrust laws to the forefront of American politics for the first time.

### *A Brief History of Antitrust Policy and Enforcement*

In 1895, America boasted 2,263 businesses. Just nine years later that number shrunk to 157 through merging and consolidation[1]. Consolidation occurred through two primary methods, vertical and horizontal integration. While Carnegie employed vertical integration, buying all the resources necessary to produce the final product, to gain control of the US Steel industry, John D. Rockefeller utilized horizontal integration, buying out competition in the industry, to merge dozens of independent oil businesses into one massive company known as Standard Oil. By 1984, Standard Oil controlled 91% of oil production in the US and 85% of the sales. Rockefeller appointed his own board of directors to oversee the entire company. This kind of broad collective oversight is known as a trust, producing the term "anti-trust" to describe laws that aim to break




up monopolies.

In the 1870s, Ida Tarbell published an expose of Rockefeller's Standard Oil Company in McClure's Magazine asserting that "They (Rockefller/Standard Oil) had never played fair, and that ruined their greatness for me."[2] Essentially, since Standard Oil bought out all other competing companies in the industry, Rockefeller could raise his prices at will without suffering a loss of customers because there was no other alternative for them to turn to. Additionally, the overwhelming power of Standard Oil prevented businesses from ever entering the industry and challenging it, thereby leaving consumers with high prices and no options.

Leaders understood that while successful businesses were positive, a free market could only thrive with competition. Shortly after (1906) her article was published, the Roosevelt Administration filed an antitrust lawsuit against Standard Oil. The case reached the US Supreme Court and in 1911 the court ruled that Standard Oil had violated the Sherman Antitrust Act and ordered that it be split into 34 individual companies[3]. The Sherman Antitrust

1 *Google, Facebook, Amazon And The Future Of Antitrust Laws*, CNBC, 16 Aug. 2019, www.youtube.com/watch?v=IcghGCBROR0.

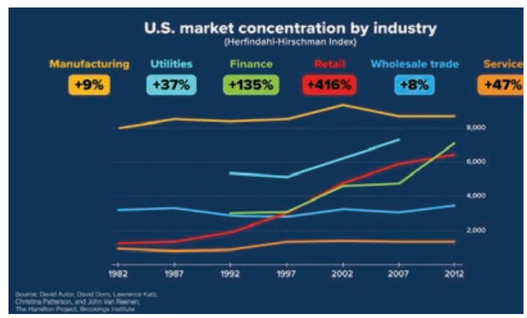
2 King, Gilbert. "The Woman Who Took on the Tycoon." *Smithsonian.com*, Smithsonian Institution, 5 July 2012, www.smithsonianmag.com/history/the-woman-who-took-on-the-tycoon-651396/.

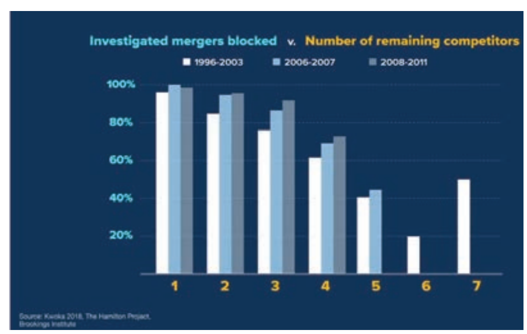
3 "Ida Tarbell: The Woman Who Took On Standard Oil: Connecticut History: a CTHumanities Project." *Connecticut History | a CTHumanities Project*, 6 Jan. 2020, connecticuthistory.org/ida-tarbell-the-woman-who-took-on-standard-oil/.

Act of 1890 was passed as the first among many anti-trust laws aimed at protecting small businesses by preventing monopolies from dominating the market. However, due to the vague terminology in the Sherman Antitrust Act it was difficult to enforce so it was amended in 1914 by the Clayton Act. The Clayton Act not only prevented price-fixing and harmful merging, but it also granted rights to laborers to form unions and organized strikes and boycotts. The same year, an overwhelming majority of the House voted to create the Federal Trade Commission (FTC) to enforce antitrust laws[4]. Many big companies were broken up during this time. However, as WWI approached, the government began to take a lax position on antitrust laws because they feared the detrimental consequences of tension between big companies and the government during a time of war when cooperation was necessary. President Roosevelt tried to revive the aggressive approach to antitrust laws during the Depression in an attempt to create more competition, jobs and revitalize a dying market. Though, by WWII, he too put aside antitrust enforcement.

Following the war, began the era of Peak Antitrust, debuting with an extremely liberal Supreme Court, The Celler-Kefauver Act in 1950, which strengthened the mandate against mergers, and an attack by the Justice Department in 1974 on AT&T, the sole supplier of phone service in the US. By 1982, the court ruled that AT&T must be broken up to create a competitive phone market. While the government cracked down on big businesses, the era of Peak Antitrust was short lived due to conservative backlash. During the 1950s, professors at the University of Chicago began to argue that big companies were more efficient, produced cheaper products, and promoted innovation. In 1979, the Supreme Court yielded to conservative beliefs in Reiter v Sonotone Corp. which altered the view on mergers and insisted that companies may only be broken up if it caused harm to the consumer by making products more expensive, lower quality or stifled innovation.

The next year, conservative President Ronald Reagan was sworn into office, marking the end of harsh antitrust enforcement. This is evident when examining the US economy. From 1982 to 2012, concentration in manufacturing rose by 9%, utilities by 37%, finance by 135%, retail by 416%, wholesale trade by 8% and service by 47%[5]. From 1996 to 2016, the number of companies on the market was cut by half! Furthermore, the FTC has stopped stringent enforcement of companies that would leave just six or seven major firms in the industry[6]. This trend accounts for our current four major airlines (Delta, American, United Continental and Southwest) sharing 77.5% of the travel industry, four major telephone companies (Verizon, AT&T, Deutsche Telekom and Sprint) making up 63.8% of the industry, three pharmaceutical companies (Walgreens, CVS and Rite Aid) combining to 68% and just two beer companies (Anheuser-Busch




InBev and Molson Coors) sharing 61.4% of the beer industry.

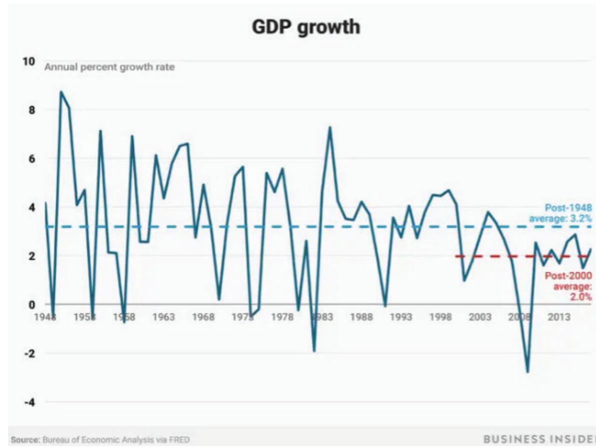
Adam Smith, father of capitalism, proposed

4 "The Clayton Antitrust Act." *US House of Representatives: History, Art & Archives*, history.house.gov/HistoricalHighlight/Detail/15032424979#:~:text=The%20newly%20created%20Federal%20Trade,unions%20legal%20under%20federal%20law.

5 David Autor, David Don, Lawrence Katz, Christina Patterson and John Van Reneen; *The Hamilton Project, Brookings Institute*

6 Kwoka 2018, *The Hamilton Project Brookings Institute*

the idea of a "free market" which would prosper by "trusting the invisible hand of the market". Essentially, he rejected government intervention in the economy, precisely what antitrust laws were designed to do. Instead, he insisted that natural competition would emerge and produce a vibrant and innovative economy. Hamilton, an admirer of Adam Smith's renowned book, "Wealth of Nations" praised his ingenuity while expressing hesitance in implementing the system in America as it was an upstart country with fragile companies that needed to be protected and nurtured by the government to survive.




### *Analyzing the Antitrust Debate*

The fierce debate over the government's intervention in the market continues to rage today, accounting for the fluctuating eras of enforcement and laxity. Generally speaking, views on antitrust policy today can be divided along party lines placing liberals on the pro-antitrust laws side and conservatives on the anti-antitrust laws stance. Throughout this paper we will explore opposing landmark Supreme Court case rulings as well as two notable Nobel Prize laureates' views on antitrust laws, namely Milton Friedman and Joseph Stiglitz and other prominent legal and economic personalities.

Economists like Joseph Stiglitz reject the notion of a free market naturally creating competition and therefore promote a rigid antitrust system that would systematically ensure competition in the market. In 2015 he published, "Rewriting the Rules of the American Economy" where he addresses the lenient antitrust rulings during the Reagan administration that had become the new standard stating, "If all of this had led to more efficient and innovative corporations, that would have been one thing. But in fact, the new 'activist' investors pushed for seats on boards and pressured management into policies that were viewed as more 'shareholder-friendly' — meaning friendlier to short-term investors — including increasing dividends and buyouts."[7] In simple terms this means that the economic theory of competition as a natural outgrowth of an unregulated market is wrong. Stiglitz points to the decreasing GDP — the annual economic output of a country — as proof of a failing capitalist system. However, it is important to note that many prominent economists suggest that annual GDP growth is not an accurate portrayal of a country's economic state due to the limitations in truly assessing a countries economic growth purely due to the market and excluding social, political and global context[8]. While Joseph Stiglitz defends antitrust laws on a social basis, as he believes it plays a decisive role in inequality, other staunch defenders of antitrust policy like Justice Douglas promote regulating businesses not only to protect the interests of the consumer but to avoid monopolizing power controlling the marketplace. Justice Douglas argued the dissenting opinion of United States v. Columbia Steel, allowing two major steel companies to merge, insisting that:

> The philosophy of the Sherman Act is that it should not exist ... Industrial power should be decentralized. It should be scattered into many hands so that the fortunes of the people will not be dependent on the whim or caprice, the political prejudices, the emotional stability of a few self-appointed men ... That is the philosophy and the command of the Sherman Act. It is founded on a theory of hostility to the concentration in private hands of power so great that only a government of

7 Feloni, Richard. "The Economist Joseph Stiglitz Explains Why He Thinks the Late Milton Friedman's Ideas Have Contributed to Rising Inequality in the US." Business Insider, *Business Insider*, 13 Mar. 2018, www.businessinsider.com/joseph-stiglitz-milton-friedman-capitalism-theories-2018-3.

8 Fernando, Jason. "Gross Domestic Product (GDP)." *Investopedia*, Investopedia, 13 Nov. 2020, www.investopedia.com/terms/g/gdp.asp.

the people should have it.[9]

According to Joseph Stiglitz, Justice Douglas and many other supporters of antitrust enforcement, an economy can only thrive with competition, making it essential that monopolies be prevented or broken up and small businesses are given help because, according to them, an unregulated market will only allow big companies to exploit the system and stifle competition.

Conversely, economists like Milton Friedman protest antitrust laws and contend that laissez faire economics is the path to a prospering economy. In Friedman's article, "The Business Community's Suicidal Impulse" he humorously explains why he has shifted from a antitrust defender to destroyer[10]. He acknowledges that antitrust laws at first sound appealing and an effective way for the government to help business prosper. However, upon further examination he noticed that instead of promoting business they did just the opposite as antitrust regulations came into the hands of the very individuals they were designed to restrict. Friedman proceeds to point out that monopolies, for the most part, have never existed without government intervention, for instance, the steel industry:

Can you name any major American industry that has really benefited from tariffs and protection? Alexander Hamilton, in his famous report on manufactures, praised Adam Smith to the sky while at the same time arguing that the United States was a special case in that it had infant industries that needed to be protected, including steel. Steel is still being protected 200 years later.[11]

He has therefore maintained the view that antitrust laws do more harm than good.

Others like Thomas Sowell claim that, "the financial demise of a competitor is not the same as getting rid of competition"[12]. "Predatory pricing" — the theory that companies will make prices unprofitably low to drive out competition and then raise prices — he insists has no factual backing. Companies like the A&P grocery chain have been charged with alleged predatory pricing but after thorough investigation there was not one incriminating instance found. Sowell postulates that while judges and legislators are quick to assume predatory pricing played a role in a company's success, it is extremely rare because companies are not willing to take the risk of selling stock at unprofitably low prices with the slight chance that their competitor will withdraw from the market and that afterwards the company will be able to drive up their prices to pay for the dept they have incurred through the process and make enough money to make the whole ordeal profitable. Essentially, predatory pricing is too faulty and risky for companies to employ.[13]

Moreover, some opponents of antitrust policy point to the welfare of the consumer — low prices — over ensuring competition in the market as their primary objective. Alan Greenspan, for example, warns that antitrust laws discourage innovation and businesses because they fear being broken up if they become successful[14]. Regrettably, he adds:

No one will ever know what new products, processes, machines, and cost-saving mergers failed to come into existence, killed by the Sherman Act before they were born. No one can ever compute the price that all of us have paid for that Act which, by inducing less effective use of capital, has kept our standard of living lower than would otherwise have been possible.[15]

He therefore proposes that unless a company

9 "United States v. Columbia Steel Co., 334 U.S. 495 (1948)." *Justia Law*, supreme.justia.com/cases/federal/us/334/495/.

10 *The Business Community's Suicidal Impulse* – Items – Collected Works of Milton Friedman, miltonfriedman.hoover.org/objects/56998/the-business-communitys-suicidal-impulse?ctx=bb0d8105-846c-48ea-8a1b-9fd376fe3e98&idx=0.

11 *The Business Community's Suicidal Impulse* – Items – Collected Works of Milton Friedman, miltonfriedman.hoover.org/objects/56998/the-business-communitys-suicidal-impulse?ctx=bb0d8105-846c-48ea-8a1b-9fd376fe3e98&idx=0.

12 "Predatory Prosecution." *Forbes*, Forbes Magazine, 6 June 2013, www.forbes.com/forbes/1999/0503/6309089a.html?sh=2560f318206f.

13 McGee, John S. "Predatory pricing revisited." *The Journal of Law and Economics* 23.2 (1980): 289-330.

14 Skitol, Robert A. "The shifting sands of antitrust policy: where it has been, where it is now, where it will be in its third century." *Cornell JL & Pub*. Pol'y 9 (1999): 239.

15 *Memo, 6-12-98; Antitrust by Alan Greenspan*, web.archive.org/web/20051217172640/www.polyconomics.com/searchbase/06-12-98.html.

is a coercive monopoly, meaning they ensure no potential rivalry can arise, they should be left alone. Similarly, Ayn Rand opposes antitrust legislation on a moral basis claiming it punishes individuals for being successful and demeaningly undermines the potential of man[16]. Judge Robert Bork and Richard Posner marvel over the Supreme Court's changed view towards antitrust laws in the 1970s adopting their standard to the more conservative approach of protecting the interests of the customers and not artificially creating competition[17]. Only companies that have complete control over an industry and alternatives for their product such that they can price gouge customers and they will have nowhere else to turn should be broken up. Then again, conservatives believe that it is highly unlikely for a company to attain that sort of power without government assistance. Overall, it seems that if the government were to stay out of the marketplace, no dangerous monopoly will be able to arise and competition will flourish, producing low prices for consumers through a naturally prosperous cycle.

### *My Take on the Matter*

I must admit that at first glance I was compelled to agree with Joseph Stiglitz and other proponents of antitrust enforcement. However, upon further research and study I have come to realize that what may sound appealing is not always consistent with the facts. Considering that dangerously powerful monopolies have, with the exception of one or two companies, only risen due to government aid I believe that if the government stayed out of the marketplace it would promote prosperous trade, competition and benefits for the consumer. While I generally maintain that the economy is a fickle phenomenon that is impacted by multiple factors, and therefore one cannot point to a prosperous economic time and assume their stance on antitrust enforcement was a wise one, history seems to suggest that less antitrust regulation is a profitable strategy both for innovation and consumers. Small upstart businesses simply don't have the resources to try new methods, sell products at low prices and hire massive teams of employees. By contrast, big businesses are beneficial to consumers as they can sell products at much lower prices and provide employment for many, and now with union rights the worry of horribly oppressive work places are considerably lower. Only if by some chance a company manages to control all aspects of a certain needed good and all alternatives to the product would I support government intervention. However, I agree with Milton Friedman that a monopoly of that sort is highly unlikely to arise without government aid in the first place.

### *Antitrust Today*

Recently, antitrust laws have been ushered back into the spotlight due to the success of big tech companies. The Department of Justice initiated an investigation against Microsoft in 1998, alleging that Microsoft had violated the Sherman Antitrust Act § 1 which prohibits large corporations from selling to another company which would significantly hinder competition. By the 1980s 80% of the world's computers used microsoft operating systems making Bill Gates world's youngest billionaire. However, when Microsoft began selling their operating systems in bundles with microsoft programs automatically built in to their products, businesses began to accuse them of inhibiting competition. In 2000 the court ruled that Microsoft had violated the Sherman Act § 1 and ordered that it be broken into two individual companies, though Microsoft immediately appealed. Today, big tech companies like Apple, Facebook and Amazon are facing antitrust lawsuits that threaten to break up the companies. Whatever the outcome, it is clear that antitrust laws will continue to play a momentous role in American politics and economy with inevitable alterations and revisions along the way.

16 "Browse Now . . ." *Ayn Rand Lexicon*, aynrandlexicon.com/lexicon/antitrust_laws.html.

17 "How We Got Here : the 70's, the Decade That Brought You Modern Life (for Better or Worse) : Frum, David, 1960- : Free Download, Borrow, and Streaming." Internet Archive, New York, NY : Basic Books, 1 Jan. 1970, archive.org/details/howwegothere70sd00frum/page/327/mode/2up.

# The Development of the SNAP Program in the United States

*Chaya Trapedo | Grade 11*

In 1968, the "unbought and unbossed" Shirley Chisholm became the first African-American woman to be elected to the United States Congress. While Chisholm wanted to create change for her own community in the 12th congressional district of New York, she was placed in the House Agriculture Committee. She felt that this assignment would limit her abilities to help the eastern side of Manhattan and neighborhoods in Brooklyn, including Crown Heights.

Rabbi Menachem Mendel Schneerson, the Lubavitcher Rebbe and a resident of Crown Heights, asked his local congresswoman to meet with him. When she expressed her dismay, he gave her advice that ultimately bettered the lives of millions in the United States. As Chisholm recalled in her 1983 retirement party, Rabbi Schneerson said: "What a blessing God has given you! This country has so much surplus food, and there are so many hungry people and you can use this gift God's given you to feed hungry people. Find a creative way to do it" (Telushkin 14).

After the meeting, Chisholm seized the opportunity to work with Senator Bob Dole, a Republican from Kansas who needed to address the farmers who produced more than they could sell and suffered financial loss from extra crops. Together, Chisholm, Dole, and another senator, Herbert Humphrey, fought not only to expand the Food Stamp Program (FSP)[1], but also to establish the Supplemental Nutrition Assistance Program for Women, Infants and Children program (WIC) (Telushkin 14).

While this action broadened the influence of the Supplemental Nutrition Assistance Program (SNAP), its beginnings came long before Chisholm's fateful meeting with the Lubavitcher Rebbe. From its inception, the SNAP program has grown to support over 38 million people in 2019 alone ("A Closer Look at Who Benefits from SNAP: State-by-State Fact Sheets"). The development SNAP program in the United States promoted a stable economy and better health for lower income families. While the SNAP program caused setbacks through negative savings consequences in extreme low income situations, its benefits and reach in the United States plays a vital role in feeding many families.

The history of the SNAP program is long, but ultimately yielding with bountiful access for those who need it most. There were multiple iterations and expansions of the program since its initial founding in 1939 to aid those on government relief.

In its first iteration from 1939 to 1943, users purchased orange stamps for grocery items, and in addition to orange stamps, half the value of blue stamps to be used on surplus foods were received. In the four years that this program was run, nearly 20 million people received aid, and at the program's peak it provided aid to 4 million people. The program ended in 1943 because food surpluses and widespread unemployment dropped in the United States ("A Short History of SNAP").

After the program shut down, many politicians called for the program's reinstatement, and eventually the Food Stamp Act of 1964 was passed. President Lyndon B. Johnson introduced the Food Stamp Program (FSP) as a subdivision "War on Poverty" campaign, granting it "a realistic and responsible step toward the fuller and wiser use of an agricultural abundance" ("A Short History of SNAP"). The overall objective of the permanent program was to provide aid to lower income families so they could more easily access a nutritionally balanced diet. Through purchasing food stamps, participants of the program use stamps to purchase all food items besides for alcoholic beverages and imported foods ("A Short History of SNAP").

Changes to the program were made with the

1 In 2008, the Food Stamp Program was renamed to the Supplemental Nutrition Assistance Program, or SNAP, in order to reduce the stigma associated with "food stamps" and to shift focus to providing nutrition ("A Short History of SNAP").

Food Stamp Act of 1977 that eliminated the need for participants to purchase food stamps, based eligibility based on the income and the poverty line, and also established rules for the Indian Tribal Organization implementation on reservations. The 1990s brought many changes with the welfare reform movement, in the late 1990s, some states began phasing out the use of paper stamps with a debit card system. The Electronic Benefit Transfer (EBT) was used with other welfare programs, but this iteration prevented theft with automatic transfer to account balance ("A Short History of SNAP").

The Economic Research Service of the U.S. Department of Agriculture outlined the benefits of SNAP to the nationwide economy. As the nation's assistance program with the most outreach, SNAP served an average of 40.3 million people in the 2018 fiscal year. The multiplier theory proposed by the research demonstrates that SNAP might be an "automatic stabilizer for the economy," that when used during an economic downturn, more people become SNAP eligible and enroll in the program. The use of federal assistance generates more income involved in those producing, transporting, and marketing the food to users. This spending impact "multiplies" throughout the economy as the businesses and its employees providing the food generate more income, and have additional funds for spending. The quantifiable impact of the multiplier theory is unclear, however ("Quantifying the Impact of SNAP Benefits on the U.S. Economy and Jobs").

The Food Research and Action Center also discovered health benefits from the SNAP program, especially in young children. The center cites studies that support the fact that "children in families receiving SNAP were significantly more likely to be classified as 'well' than young children whose families were eligible but did not receive SNAP" ("The Positive Effect of SNAP Benefits on Participants and Communities").

Despite the benefits, a study conducted by the Urban Institute in 2016 found that users of the SNAP Program that are extremely below the poverty line are often discouraged from "building a savings cushion" (Ratcliffe et al. 1). Based on data from 1997 to 2013, SNAP program participants that have incomes that are 200% below the poverty line have very little back up money for emergencies. Only 5% have bank accounts at all, and of that minority, only 8% stored $500 or more in it. None of the SNAP participants who had bank accounts had more than $2000 in the account. Researchers believe that this is due to the fact that "families may choose to not accumulate assets or to spend down their assets to become or remain eligible for benefits" (Ratcliffe et al. 2).

Whether or not the SNAP program has a positive impact on society is an important consideration. In addition to damaging the economic prospects of recipients, a statistic from the U.S. Department of Agriculture shows that SNAP cost over 60 billion dollars in 2019, and costs continue to grow annually ("SNAP Data Tables"). However, out of New York's SNAP recipients, representing 14% of the population, SNAP succeeds in keeping people out of poverty despite the costs. Between 2013 and 2017, SNAP prevented 600,000 people from falling into poverty in New York, including 255,000 children ( "Quantifying the Impact of SNAP Benefits on the U.S. Economy and Jobs"). On a societal level, the economic costs seem to be justified in preventing more Americans from falling into poverty.

While the long term consequences of lack of savings are detrimental to low income families, the benefits of SNAP assist millions of families annually, especially during the pandemic. Financial aid and support is difficult and at times, embarrassing, to receive, and the discreteness and directness of SNAP that allow for such benefits is all due to the evolution of the program over the past 80 years.

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# The Economic Impact of Medicaid

*Mindy Weiss | Grade 11*

The economy of 1965's United States of America was prosperous, while slightly tense due to the current war with Vietnam. Civilian employment was booming and expanding. President John F. Kennedy was the President of the United States of America from 1961 to 1963. He was an activist who pushed for many reforms, one of which was health-care for elders. The following President of the United States of America was Lyndon Johnson from 1963 to 1969, who insisted and initiated reforms for the Government to pay for, that would provide economic benefits to more Americans. At the end of the 1960's, the economic prosperity decreased and there was inflation, because the government didn't collect enough taxes to pay for their new reforms. I believe that Medicaid was beneficial for our country, because despite it being expensive to provide, it is a necessary and positive use of our country's economy.

As Charles J. Barrilleaux and Mark E. Miller explained, "Medicaid is expensive." 40.7 billion dollars in 1986 was the total cost of federal-state spending to provide Medicaid. Normally, public welfare (in this case, health-care assistance) was left to the states. Therefore, after this policy was established, the states were the ones who worked on this and headed it. While doing so, they were not concerned with financial issues because that was supposedly being given by the federal government. However, the federal government did not anticipate such a program to be so costly when they passed this policy. Therefore, in the end of the 1970's, the government prioritized cost control of health-care, instead of guaranteeing access to health-care. HCFA (Health Care Financing Administrations) achieved calling government attention to oversee the States observing medicaid and medicare. In 1981, Congress passed OBRA 1981 (Omnibus Budget Reconciliation Act of 1981) which had the federal government minimize their financial contribution to Medicaid and allowed the states to adjust reimbursement methods. From the states' perspectives, due to their financial restraint too, they attempted experimenting with different programs, however, although their cost was minimized, their cost was still far too much. It is especially challenging to control Medicaid costs because each state sets their eligibility laws, and if that state has an economic downfall, their unemployment rates increase, and therefore there are more eligible applicants for Medicaid. Unfortunately, the cost of such health-care assistance just cannot be controlled.[1]

Alternatively, a study was conducted by Zobair Younossi, MD; Stuart C. Gordon, MD; Aijaz Ahmed, MD; Douglas Dieterich, MD; Sammy Saab, MD; and Rachel Beckerman, PhD. This study was performed with patients with genotype 1 chronic HCV (hepatitis C virus), who were watched and supported by medicaid health-care for their lifetime. At first, there was restricted eligibility for Medicaid treatment in this area, (which generally can be attributed to saving money and reducing costs). However, the economic result illustrated that by treating all Medicaid patients who have HCV (instead of the restricted eligibility) resulted in saving 39.4% of Medicaid costs, and "decreased the proportion of total costs attributable to downstream costs of care to 18.3%." Such an economical win would seem as if it were at the expense of the HCV patients, however, this is the exact opposite! In addition to the economics, was the reduction of deaths, transplants, and cases of cirrhosis and hepatocellular carcinoma. Initially, (while medicaid was restrictive in their eligibility for medicaid for HCV patients), their total costs added up to $9.7 billion. The larger part of that cost was made up of the cost of patients who sadly weren't even able to be healed (for example, their hospitalization costs). Yet, the economic cost decreased from $9.7 billion to $3.8 billion when all Medicaid patients were treated for HCV because the treatment was actually working and healing, and therefore there were far less costs for patients who

1 Barrilleaux, Charles J., and Mark E. Miller. "The Political Economy of State Medicaid Policy." *The American Political Science Review*, vol. 82, no. 4, 1988, pp. 1089–1107. *JSTOR*, www.jstor.org/stable/1961751. Accessed 21 Mar. 2021.

weren't being healed.[2] Therefore, this study teaches us that the economic impact of Medicaid is adjusted by using it properly, efficiently, and thoughtfully. Health is worth the price.

Charles J. Barrilleaux and Mark E. Miller's sources range from mostly data files and statistics. The HCV study's sources are many medical articles. The differentiation of sources likely guided the scholars towards different conclusions because the first scholar was focused solely on the economic impact, whereas the second scholar's focus was on the medical impact and mentioned the economic impact too. Therefore, the first scholar had statistical information of the economy, while the second scholar had medical reports and studies. Additionally, the first scholar was studying the general impact, while the second scholar studied the impact of a specific example. Therefore, because they analyzed different areas of evidence, the analysts have different conclusions.

I believe that Charles J. Barrilleaux and Mark E. Miller are correct in the sense that medicaid is costly, and initially it wasn't well planned financially. However, it is 55 years later and our country stands with Medicaid, because it is needed and it is obviously working. Therefore, I stand with the HCV study in the sense that this is medically beneficial, and costing enough that it is worthwhile and necessary. Other evidence that may be important to consider would be the jobs that Medicaid provided, which likely would activate the economy. Additional evidence that I would add would be comparing the economic difference from 1965-2021 (and all the decades in between).

Today, in the United States of America, the medical care of around one fifth of American citizens is provided from Medicaid. Medically, it is upkeeping the United States. Economically, Medicaid lessens the unpaid medical-care that hospitals give. In 2019, the cost of providing medicaid increased by 2.9%, to 613.5 billion dollars. Medicaid is paid for together, by both the federal and state governments.

2 Treating Medicaid Patients With Hepatitis C: Clinical and Economic Impact
Zobair Younossi, MD; Stuart C. Gordon, MD; Aijaz Ahmed, MD; Douglas Dieterich, MD; Sammy Saab, MD; and Rachel Beckerman, PhD

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