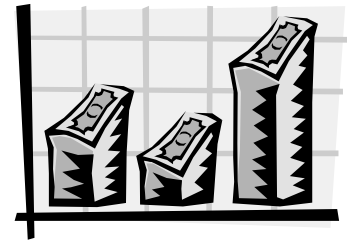


KOFA HIGH SCHOOL SOCIAL SCIENCES DEPARTMENT

ECONOMICS

VIDEO STUDY GUIDE > COMMANDING HEIGHTS – THE BATTLE FOR THE WORLD ECONOMY - PART 3 - THE NEW RULES OF THE GAME



TERMS THAT YOU MAY NOT BE FAMILIAR WITH

1. *CONTAGION - A FINANCIAL SYSTEM VIRUS LIKE A CLASSIC “ BANK RUN ” OR PANIC. INVESTORS LOOSE CONFIDENCE IN A COUNTRY’S ABILITY TO PAY ITS DEBTS AND BEGIN TO WITHDRAW THEIR MONEY / INVESTMENTS*
2. *CALPERS - THE STATE OF CALIFORNIA’S STATE EMPLOYEE PENSION (RETIREMENT) FUND IS ONE OF THE LARGEST IN THE WORLD COVERING OVER ONE MILLION EMPLOYEES*
3. *IMF - INTERNATIONAL MONETARY FUND*

THE NEW RULES OF THE GAME

TWO QUESTIONS ARISE :

1. *IS TERRORISM THE DARK SIDE OF GLOBALIZATION ?*
2. *CAN PROSPERITY BE DELIVERED TO EVERYONE ?*

*DURING THE 1990’s CAPITLAISM FUELED THE GREATEST _____
_____ IN HISTORY*

*IT IS SAID THAT WE NOW LIVE IN A NEW WORLD AND ECONOMY IN WHICH
“ EVERYONE HAS A STAKE , BUT NO ONE HAS _____ ”.*

*GLOBALIZATION HAS BROUGHT RECORD PROSPERITY , BUT ALSO NEW PERILS
WE DO NOT YET UNDERSTAND . IT HAS SPARKED A GREAT DEBATE OVER
_____ AND _____*

**** THE GLOBAL IDEA*

*NO IDEA HAS SHAPED THE ERA OF GLOBALIZATION MORE THAN A BELIEF
IN OPEN FREE MARKETS AND _____*

*IN 1992 THE UNITED STATES WAS IN A RECESSION WITH OVER _____
PEOPLE UNEMPLOYED. BILL CLINTON LISTENS TO POWERFUL FINANCIAL
INDUSTRY PEOPLE WHO TELL HIM THINGS THAT HIS SUPPORTERS WOULD NOT
LIKE. WHAT THREE THINGS DO THEY TELL HIM ?*

- 1. TO REIGN IN _____*
- 2. CUT THE _____*
- 3. EMBRACE _____*

HOW MUCH IN DEBT WAS THE UNITED STATES GOVERNMENT IN 1992 ?

**** NAFTA - NORTH AMERICAN FREE TRADE AGREEMENT - PUTTING THE IDEA
OF FREE TRADE TO THE TEST*

*PRESIDENT CLINTON COMPLETELY CHANGES HIS POSITION ON NAFTA FROM
WHAT HE SUPPORTED DURING THE CAMPAIGN. HE NOW COMPLETELY
SUPPORTS NAFTA WITHOUT CONDITIONS. THIS WAS VIEWED AS A “SELLOUT”
BY HIS SUPPORTERS. WHAT GROUP WAS THE MOST UPSET / ANGRY ?*

WHAT HAPPENED IMMEDIATELY AFTER THE NAFTA AGREEMENT WAS SIGNED ?

*WHAT PERCENTAGE OF THE TV's THAT ARE BOUGHT IN THE UNITED STATES
COME FROM MEXICO ?*

**** TIAJUNA MEXICO - THE BALL STARTS ROLLING*

HOW MANY WORKERS FOUND JOBS ALONG THE BORDER ?

WHAT PERCENTAGE OF MEXICO'S POPULATION LIVES IN POVERTY ?

*UNION LEADERS SAID THAT NAFTA SHIFTED THE BALANCE OF BARGAINING
POWER TO FAVOR _____*

*SINCE NAFTA WENT INTO EFFECT IT HAS HAD AN ADVERSE IMPACT ON
OVER _____ AMERICAN JOBS , YET EXPORTS TO OTHER COUNTRIES
HAVE CREATED OVER _____ JOBS AND THE VOLUME OF
TRADE HAS _____*

*THE BIGGEST THING THAT IS NOW TRADED , BUT IS REALLY NOT VISABLE TO
THE GENERAL PUBLIC IS _____*

**** SACRAMENTO CALIFORNIA*

*CALPERS (THE CALIFORNIA STATE WORKERS PENSION FUND) WAS INVESTING
HEAVILY OVERSEAS AND AT ONE TIME ACTUALLY CONTROLLED _____
PERCENT OF FRANCE'S STOCK MARKET*

*PENSION FUNDS HAVE BECOME THE " FINANCIAL POWERHOUSES " OF THE
WORLD BECAUSE THE NOW CONTROL HUGE SUMS OF _____
" THIRD WORLD " NATIONS HAVE BEEN RENAMED TO REFLECT INVESTMENT
OPPORTUNITY . THEY ARE NOW CALLED _____*

MANY DEVELOPING NATIONS HAVE BEGUN TO VIEW BIG MONEY POWERS

(NATIONS AND CORPORATIONS) AS THREATS TO THEIR _____

**** THE FIRST "REAL TIME" GLOBAL FINANCIAL CRISIS OF THE 21 ST CENTURY
- THE MEXICAN CRISIS OF 1994-*

*WHO BEGINS TO FLEE MEXICO WHEN THE SANDINISTA REBELS LAUNCH THEIR
UPRISING ?*

*SENIOR UNITED STATES GOVERNMENT OFFICIALS ADVISE THE PRESIDENT THAT
IT IS VERY LIKELY THAT :*

- 1. THE MEXICAN PESO WILL _____*
- 2. A MASS EXODUS OF _____ TO THE UNITED STATES
WILL START*

*AS MEXICO IS ABOUT TO DEFAULT ON ITS FOREIGN DEBT THE UNITED STATES
SETS A HORRIBLE PRECEDENT BY GIVING MEXICO A _____*

*AS MOST OF THE HOLDERS OF MEXICO'S DEBT WERE AMERICAN'S, THIS
BAILING OUT OF AMERICANS BY THE UNITED STATES GOVERNMENT REALLY
SEND THE WRONG MESSAGE IT ENCOURAGES AMERICANS NOT TO WORRY
ABOUT , OR CONSIDER, _____ WHEN MAKING INVESTMENTS*

*THE MEXICAN CRISIS ALSO PROVED THAT _____ HAD
BECOME A TREMENDOUS FORCE AND HAD TRANSFORMED THE FINANCIAL
MARKETS AS MASSIVE AMOUNTS OF MONEY COULD BE MOVED IN SECONDS*

**** THE TECHNOLOGICAL REVOLUTION AND THE DEVELOPMENT OF THE GLOBAL VILLAGE*

THE TECHNOLOGICAL REVOLUTION OF THE 1980's AND 1990's CREATED A COMMUNICATIONS EXPLOSION. IN TWO DECADES THE NUMBER OF INTERNATIONAL PHONE CALLS MADE WENT FROM 200 MILLION ANNUALLY UP TO _____

THE TECHNOLOGICAL REVOLUTION CREATED A BORDERLESS WORLD AND GAVE POWERFUL TOOLS TO A NEW TYPE OF BUSINESS PERSON, THE _____ WHO COULD THINK AND ACT LIKE A MULTINATIONAL CORPORATION BY VIEWING THE WORLD AS A _____

TODAY OVER _____ PERCENT OF THE WORLD'S SOFTWARE ENGINEERS ARE FROM _____

THE CEO OF INFOSYS DEFINES "GLOBALIZATION" AS :

- 1. PRODUCING WHERE IT IS MOST _____*
- 2. SELLING WHERE IT IS MOST _____*
- 3. SOURCING CAPITAL WHERE YOU CAN GET THE _____*

WHAT PLACE IS CONSIDERED THE SPIRITUAL CENTER OF THE GLOBAL VILLAGE ?

**** ARE WE GROWING TOO FAST, MAKING TOO MUCH PROGRESS ????*

>>> SHANGHI CHINA

FOR THE FIRST TIME OVER 1/4 OF THE GLOBAL POPULATION IS ENTERING THE GLOBAL MARKET !!! THE IMPACT IS THAT OVER _____ CHINESE PEOPLE HAVE BEEN LIFTED OUT OF POVERTY

THIS ERA OF TRUE GLOBALIZATION HAS SEEN THE LARGEST AMOUNT OF
HUMAN _____ IN HISTORY

IT IS ESTIMATED THAT OVER 80% OF FUTURE ECONOMIC GROWTH IS
EXPECTED TO OCCUR THROUGH _____ RATHER THAN
THE _____

>>> SINGAPORE

WHEN THE BRITISH ARRIVED IN THE 1800's THEY FOUND A FISHING VILLAGE
OF 120 PEOPLE AND INFERTILE GROUND. TODAY SINGAPORE IS ONE OF THE
WORLD'S MAJOR FINANCIAL CENTERS, AND LIKE MOST SOUTH ASIAN
ECONOMIES, IS GROWING AT OVER _____ PERCENT A YEAR !!

>>> TOKYO

EARLY IN THE TECHNOLOGICAL AND CAPITALIST REVOLUTION JAPAN, THE
WORLD'S _____ LARGEST ECONOMY WAS AN EXCEPTION.

THE REASON FOR THIS WAS THAT JAPANESE BANKS HAD HELD OVER
_____ IN BAD DEBTS

ADDITIONAL MISTAKES BY JAPAN :

1. TRADITIONALLY JAPAN HAD BEEN A CLOSED SOCIETY BASED ON
STRONG _____ TYPE VALUES
 2. WITH THEIR EXPORTS SKYROCKETING THEY MISTAKENLY DID NOT
PERMIT ENOUGH _____ TO ENTER THE COUNTRY AND
THEY REGULATED THE COMMANDING HEIGHTS
-

**** A GLIMPSE OF POTENTIAL FUTURE HORROR - GLOBAL CONTAGION AND POSSIBLY A NEW FORM OF COLONIALISM*

>>> BANGKOK THAILAND

DURING THE BOOM TIMES OF THE 1990's, THAILAND OPENED ITS CAPITAL MARKETS AND HAD AN EASY MONEY POLICY. IN JUST 4 YEARS FINANCIAL INSTITUTIONS TRIPLED THE AMOUNT OF LOANS ISSUED TO _____

THAILAND MADE THE MISTAKE OF NOT HAVING ITS ECONOMIC INFRASTRUCTURE KEEP PACE WITH THE CAPITAL MARKETS - IT DID NOT DEVELOP ITS FINANCIAL REGULATORY SYSTEM, ETC. PROBABLY THE BIGGEST PROBLEM WAS THE "BOK" (THAILAND'S CURRENCY) WAS FIXED TO THE UNITED STATES DOLLAR AND KEPT _____ VALUE

PRESSURE MOUNTS AND FINALLY IN 1997 THE BOK HAS TO BE DEVALUED AND THE ECONOMY GOES INTO A FREE FALL. THE IMF (INTERNATIONAL MONETARY FUND) CAN NOT HELP BECAUSE THE PROBLEM IS TOO BIG, SO THAILAND TURNS ONCE AGAIN TO THE _____

PANIC SETS IN AS PEOPLE BEGIN TO WONDER IF ALL THE ASIAN ECONOMIES ARE IN THE SAME SITUATION - THE RUN ON THE BANK STARTS JUST LIKE IT DID IN MEXICO, BUT NOW ON ALMOST A GLOBAL SCALE. OVER _____ QUICKLY BEGINS TO FLOW OUT OF JUST SOUTHEAST ASIA

THE IMF TAKES THE LEAD IN TRYING TO CONTAIN THE PANIC AND REQUIRES THE SOUTHEAST ASIAN COUNTRIES TO :

- 1. CUT _____ SPENDING*

3. RAISE _____ RATES

4. ELIMINATE _____ IN THEIR SYSTEMS

◆◆◆ MANY PEOPLE BEGAN TO BE VERY DISTURBED BY WHAT THEY WERE SEEING IN SOUTHEAST ASIA . THEY CAME TO UNDERSTAND THAT THERE WAS THE POTENTIAL , VIA RUMOR , TO DESTABLIZE A GOVERNMENT BY QUICKLY UNDERMINING THEIR CURRENCY , MAKING IT POOR , AND MAKING IT BEG FOR HELP . FOR THE HELP , THE HELPING NATION WOULD GET CONTROL OF THE POLICIES OF THE COUNTRY THIS IS NOW VIEWED AS A POSSIBLE NEW KIND COLONIALISM - CONQUERING A COUNTRY WITHOUT MILITARY FORCE

>>> SOUTH KOREA

THE PANIC IS STILL SILENTLY SPREADING AND THE 11 TH LARGEST ECONOMY IN THE WORLD , SOUTH KOREA , SAYS THAT IT HAS BEEN LYING ABOUT THE AMOUNT OF MONEY IT HAS AND IS ALSO READY TO DEFAULT ON ITS FOREIGN DEBT . THE IMF AND THE UNITED STATES COME TO ITS AID AND UNDERWRITE THE LARGEST BAILOUT IN HISTORY TOTALING _____

>>> RUSSIA

AFTER THE FALL OF COMMUNISM RUSSIA WAS SEEN AS THE PREMIER “EMERGING MARKET ” AND AN ABSOLUTE SAFE BET . HOWEVER , IT ALSO DEFAULTS AND THE PANIC IS NOW RAGING . UNITED STATES SECRETARY OF THE TREASURY ROBERT RUBIN AND FED CHAIRMAN ALAN GREENSPAN ADVISE PRESIDENT CLINTON THAT THESE CONDITIONS HAVE _____ SEEN BEFORE

>>> UNITED STATES

CONTAIGON NOW BEGINS TO HIT THE UNITED STATES. A HEDGE FUND CALLED LCTM (LONG TERM CAPITAL MANAGEMENT) IS NEAR DEFAULT BECAUSE OF ITS OVERSEAS INVESTMENTS (FOREIGN BONDS , ETC.) . IT IS ABOUT TO LOOSE OVER

THE FEDERAL RESERVE BANK OF THE UNITED STATES SAYS THAT IT CAN NOT HELP BECAUSE LCTM IS A PRIVATE FIRM AND IT WOULD NOT BE FAIR IN THE LONG TERM PUBLIC INTEREST. THE FED LEAVES THE RESCUE OF LCTM TO THE

*** THE GLOBAL DEBATE AND DIVIDE

ANTIGLOBALISM SENTIMENT IS RISING OUT OF FEAR. THE _____
LED THE PROTESTS AND RIOTS DURING THE SEATTLE WTO (WORLD TRADE ORGANIZATION) MEETING IN THE LATE 1990's

THE COSTS OF OPENING WORLD MARKETS WAS MASSIVE UNION JOB LOSSES. DESPITE THIS, THE OPENING OF MARKETS CREATED OVER _____
NEW JOBS IN THE UNITED STATES

THE DEVELOPING WORLD / NATIONS _____ THE PROTESTORS AND WANT MORE _____

PRESIDENT CLINTON, WELL KNOWN FOR SUPPORTING WHATEVER WOULD HELP HIM WIN AN ELECTION OR MAINTAIN POPULARITY, WAS UP FOR RE-ELECTION. HE ABANDONS HIS FREE TRADE POSITION TO SUPPORT THE UNIONS AND THIS CAUSES THE WTO SUMMIT TO BE A _____

AS POVERTY BECOMES THE FOCAL POINT, AND THE WORLD BANK THE NEXT TARGET, THOSE WHO FAVOR FREE TRADE AND OPEN MARKETS CLAIM THAT _____ DID NOT CAUSE GLOBAL POVERTY, IT JUST HAS MADE MORE PEOPLE MORE AWARE OF IT

HOWEVER, THE FACT IS THAT THERE IS A BIG GAP IN "WELL BEING" ACROSS THE GLOBE AS _____ OF HUMANITY LIVES IN THE DEVELOPING WORLD

THE FAMOUS ECONOMIST, HERNANDO DE SOTO, CLAIMS THAT CAPITALISM IS A GREAT TOOL FOR HELPING POOR PEOPLE ATTAIN PROSPERITY. HOWEVER, HE SAYS THE REASON WHY CAPITALISM HAS NOT BEEN ABLE TO HELP THE POOR IS BECAUSE THE POOR IN ALL "EMERGING / DEVELOPING NATIONS / MARKETS" DO NOT HAVE _____

DE SOTO BELIEVES THAT PEOPLE ARE _____ BY NATURE, BUT IN THE DEVELOPING WORLD THEY ARE LOCKED OUT OF THE SYSTEM AND THE GLOBAL MARKET PASSES THEM BY

WHITHOUT PROPERTY RIGHTS PEOPLE ARE EXCLUDED FROM :

1. GETTING A _____
2. OBTAINING _____

FORMER PRESIDENT CLINTON MAKES A GOOD POINT ABOUT THE FUTURE. HE SAYS THAT IT IS NOT SUFFICIENT TO BUILD A PEACEFUL FREE WORLD, YOU ALSO NEED _____, IT IS AN ABSOLUTE NECESSITY

◆◆◆ THEN CAME THE 911 EVENTS AND THIS LEAVES US WITH THE CONSIDERATION THAT WE MAY STILL NOT REALLY UNDERSTAND THE NEW RULES AND THAT THEY MAY STILL NOT HAVE BEEN ALL DEFINED !!!!