BUSINESSMANN

HORACE MANN'S PREMIER BUSINESS AND ECONOMICS JOURNAL

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LETTER FROM THE EDITORS

Dear Readers,

We are excited to begin 2019 with the first issue of BusinessMann! We are extremely proud to display the hard work and dedication of all the writers and editors, and we hope you enjoy! We hope to provide Horace Mann students with the opportunity of becoming business people, analysts, and politicians through this publication.

The BusinessMann magazine is dedicated to publishing articles related to finance and economics. It illustrates the complexities of the macro and microeconomic environment of the 21st century, analyzes the current global and domestic economy, and highlights the impact modern businesses have on the financial market. BusinessMann allows students to express their opinions on economic theories, business models, stock markets, and other topics in economics.

Once again, we hope our readers will enjoy listening to their peers' opinions, and depart with a greater sense of fiscal and monetary awareness. By understanding the ideas of fellow Horace Mann students, we hope you will gain an appreciation for economic discourse.

We would like to extend special thanks to all of the faculty members who make BusinessMann possible: our faculty advisor, Mr. Worrall, for his guidance and advice, and Dr. Delanty for her dedication to student publications.

Sincerely,


Isha Agarwal Taimur Moolji
Editors-in-Chief, Volume I

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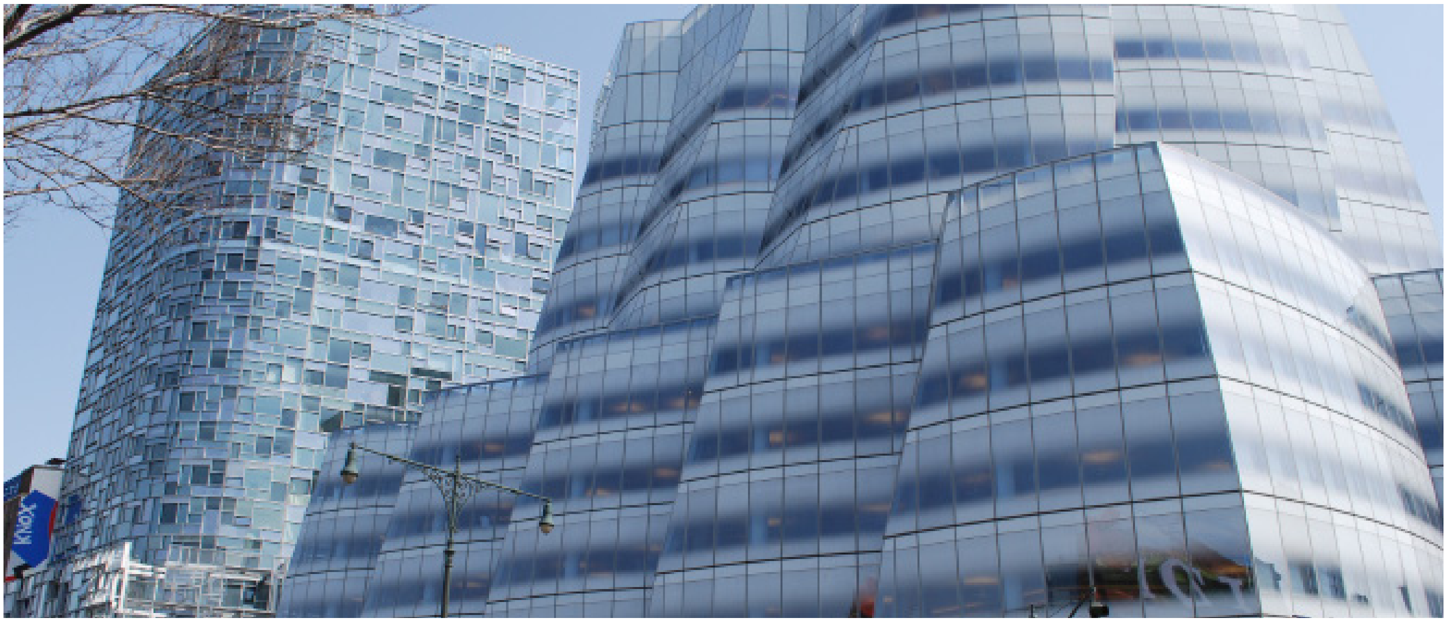


SpaceX

One Belt One Road

One Massive Threat to American Hegemony

By: Alex Gerstenhaber

According to Xi Jinping, the leader of china, the One Belt, One Road (OBOR) initiative is merely a project designed to "create a big family of harmonious coexistence." In some respect, there is some truth to this statement, as the OBOR is China's $5 trillion project that aims to unify central Asia and improve China and other nation's economic development by building new infrastructure projects. Yet there is more behind the scenes. Despite its allure in theory, China's actions in the real world reveal that the OBOR might simply be a way for China to take advantage of smaller nations to collect debt for the Chinese government and corporations.

On the surface, Xi's idea appears to be a generous and ambitious way for developing nations to spur growth and partner with a superpower. This argument has a reasonable amount of merit to it, as Chinese-financed infrastructure projects not only increase overall economic growth, but also reduce income inequality in developing nations. Evidence shows that debt-financed infrastructure projects have had a positive impact in numerous nations, including Ethiopia, which increased debt-financed infrastructure spending from around 5% of GDP in the 1990s to 18% in 2011. As a result, the nation achieved an economic growth rate of over 10% annually. Chinese companies benefit from the partnership as well, as seven of the top ten largest construction firms are now Chinese. The expansion of these companies also had a big impact on income inequality. Infrastructure investment is one of the most effective ways to alleviate the problem because it decentralizes economic activity and creates employment opportunities. In developing nations with high dependence on agriculture for rural life, access to different regions of the country is critical for commerce. Moreover, the prospect of direct employment through building infrastructure is enough to lift thousands of people out of poverty.

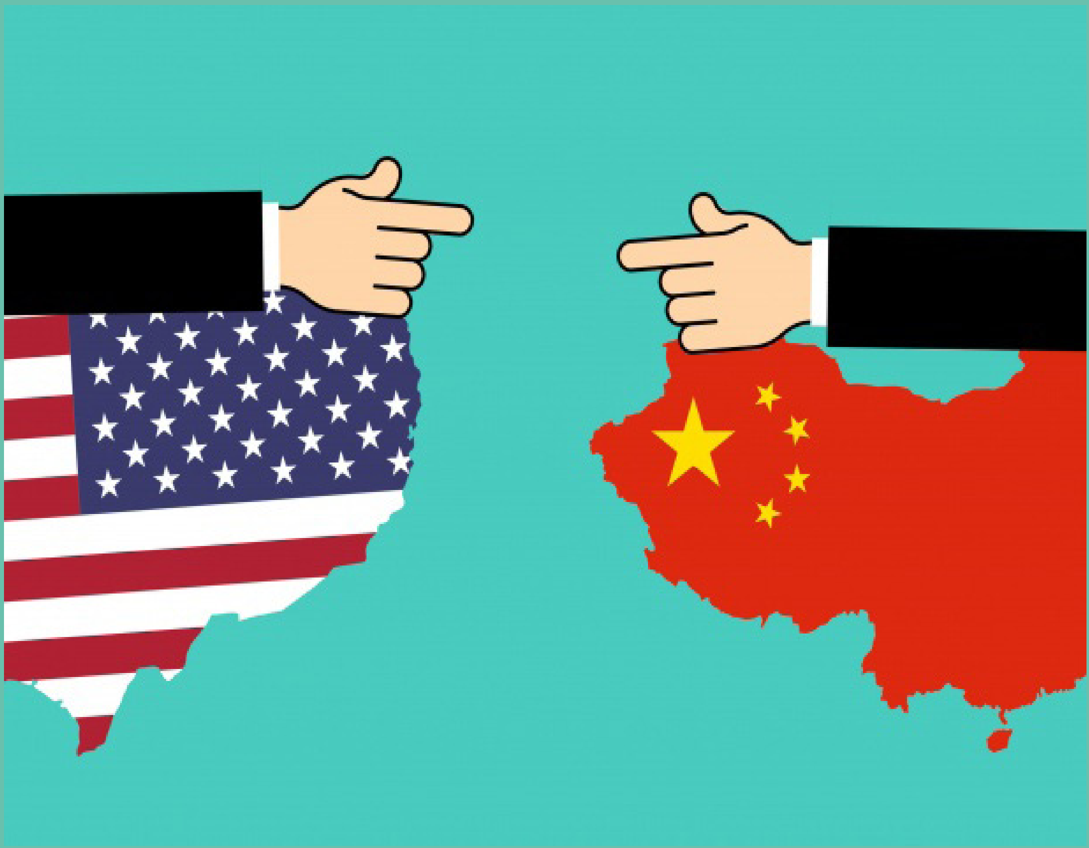
It is easy to get caught up in the benefits of the OBOR initiative, but often times the drawbacks go unrealized until they are too large to ignore. One of the looming issues with China's policy regarding the OBOR initiative is its willingness to loan to nearly anyone who needs the help. Although such a philosophy is potentially harmful to China because they may never be paid back, the real risk falls at the feet of the nations on the receiving end of the deal. Unlike many western nations who require certain ethical standards and consultations before loaning money, China really only has one condition that must be met before they loan money: that they be involved in the construction. Due to this, authoritarian governments, military regimes, and nations that are fraught with conflict get loans to build infrastructure as well; some of these nations include Yemen, Iraq, and Ukraine. Because these nations have little capital to pay off their debts, the Center for Global Development concluded earlier this year that 23 countries are at risk of debt distress from the OBOR, and 8 nations in particular are at incredible risk of being unable to repay China. For example, Pakistan has both reaped the benefits of its partnership with China and is at risk of suffering the consequences. To Pakistan's advantage, China's flagship project was to build a brand new port in Gwadar, as well as a railway and highway network. These developments became a $62 billion corridor, in which trade from Asia converges with trade from the Middle East, Africa, and the Indian Ocean and were labeled by Vox as the place where "the economic belt meets the maritime silk road." As a result, Pakistan benefited in the form of its highest GDP growth in recent history.

Despite all the growth that Pakistan saw as a result of this investment, they still have struggled to pay back their debts. This enabled China to do the same thing that they did with Sri Lanka and several other BRI investments: seize the port on a 40-year long lease. This is not the only instance when China has done this. This move was just one part of a greater China's strategy, where they have been seizing OBOR projects in the Indian Ocean to form what has been called the "String of Pearls." With ports in Myanmar, Sri Lanka, Pakistan, and Djibouti all seized after failed debt payments, China is positioning themselves for naval hegemony in the region.

Although developing nations are seeing mixed results when participating in the Belt and Road Initiative, China's highly calculated loans ultimately put it in a position to both control Asia and the Middle East both economically and militarily. Given the United States' slow trend towards economic isolation under Trump, Xi Jinping's actions put China in a highly advantageous position on the world stage at the expense of lesser powers.

China Faces Major Losses in Epic Trade War

by Kush Malhotra



"The overall impact of the trade war reveals clearsigns ofeconomic tension on both sides of the war."

Since the inception of Trump's presidency, Donald Trump has been questioning China's trading practices. In August 2017, President Trump launched a thorough investigation on China's policies that he thought could affect American development, specifically the issue of consumers paying more for goods or businesses. The investigation followed section 301 of the Trade Act of 1974, which stated that the President has every right to remove an act which proves unreasonable and unwarranted to American commerce. As a result, several tariffs have been placed on both the U.S. and Chinese trade, resulting in an epic trade war.

In total, the U.S. had placed around $250 billion worth of tariffs on China, covering items like washing machines, handbags and solar panels. With China refusing to submit, Trump has also threatened to add an additional $267 billion worth of tariffs, which would target all Chinese imports. These actions were met with a response from China. Although they did not match the number entirely, Beijing imposed tariffs on the United States totaling to $110 billion. They targeted items like coal, medical equipment and chemicals. These tariffs will disturb both Chinese and American businesses. For example, in 2011, research showed that for every "Made in China" sticker produced, 55 cents per dollar of the total profit goes to services produced by American businesses. Thus, tariffs would negatively affect these businesses. The overall impact of the trade war reveals clear signs of economic tension on both sides of the war.

China suffered a massive blow to its economy due to the trade war. According to CNBC, in December 2017, investments contributed to 44% of its GDP, which was extremely high compared to the U.S. and Germany, which contributed to around 25%. With the trade war, debt is increasing tremendously, and the government will no longer be able to benefit from investments. The loans from banks increased in 2016 to 12.65 trillion yuan, around $1.88 trillion, which resulted in a debt to GDP ratio in China that amounts to 250%.

Panos Mourdoukoutas, a professor at Columbia and LIU Post, writes that China should lose the trade war "gracefully." He claims that since the entrance of the war, both sides were aware that the winner would be the country who lost less money. There were three different solutions of the trade war. One would be a 'win-win' situation for both China and the U.S., where neither economy would be extremely harmed. Second, a 'lose-lose' occurrence, which would cause both countries to suffer and continue to place tariffs. Finally, the third situation would be 'lose-more, lose-more', in which politics could interfere with the trade war, thus expanding the scope of the war. Renee Mu, a currency analyst, claims that the war appears to be shifting from the second to third outcome. Chinese labor is becoming more expensive, due to the increase in wages, and thus China decided to remove 1,585 tariffs on products such as textiles and metals. This will go into effect on November 1, 2018. As China realizes the detrimental effects of the trade war and removing certain tariffs, it is clear that the Americans were victorious. However, they were only successful to a certain extent, as they invested a tremendous amount of money into the war. Overall, the trade war is proving to be a destructive for both superpowers, and with China suffering major consequences in labor, tariffs, and debt, the end was near.

Tesla-SEC Scandal

by Billy Leung

Tesla has proved to be one of America's leading car companies in recent years with its innovative electric-car technology. Along with this, Elon Musk has remained in the news due to a series of controversial tweets. Due to this, the Security and Exchange Commission (S.E.C.) sued Musk in federal court for misleading Tesla's investors in his post on Twitter in August of 2018 and therefore committing fraud. Musk tweeted that he had "funding secured" for a buyout of the electric-car company at 420 dollars per share. This made shareholders believe that they should buy out the shares of Tesla even though Musk didn't actually intend to make his company private. Tesla's stock price spiked following his controversial tweet; however, Musk had not secured the funding that he claimed to have. Moreover, he never even presented the plan to make Tesla private to Tesla's board.

Tesla shares have continued to rapidly fall since S.E.C. filed a lawsuit. The company is also required by the S.E.C. to add two independent directors who will monitor Musk's communication with his investors. S.E.C. Chairman Jay Clayton told the New York Times that "when companies and corporate insiders make statements, they must act responsibly, including endeavouring to ensure the statements are not false or misleading." Musk did not admit or deny that he was misleading investors in his tweet. Although Musk did tell Tesla's board that Tesla possibly could go private, he failed to mention to his board, the company, or the NASDAQ (which tracks stock prices) that he was going to inform the public of this possibility. Musk is currently still allowed to remain as the chief executive officer of Tesla and will be able to remain part of the board.

Elon Musk declined a settlement that would have required him to step down for two years and pay a $10 million fine. Many believe that Musk declined this offer because he wanted to publicly state that he did nothing wrong, and the terms of the settlement did not let him do that, so he turned it down. The S.E.C. then filed a lawsuit with the goal of banning Musk from having any officer or director position in other publicly traded companies in the future. A publicly traded company holds an initial public offering and whose shares are traded on a stock exchange or in the over-the-counter market.

Two days later, Musk and the S.E.C. reached a settlement. It's currently not publicly known why he changed his decision so quickly, but he did agree to a settlement with the S.E.C. US District Judge Alison Nathan approving the proposed settlement between Elon Musk and the S.E.C. This marks the first time that Musk will not serve as the chairman since he first assumed the position in 2004. Tesla will have to appoint a new chairman for the three years that he steps down. The $20 million fine that both Musk and Tesla are paying are being distributed to investors that were harmed as a result of Musk's misleading tweet. Tesla has been dealing with a lot of self-inflicted damage by Elon Musk and will have to recover before they are able to successfully move forward. In the meantime, Tesla is still trying to find someone to hire to be the interim chairman for them.

"...the Security and Exchange Commission (S.E.C.) sued Musk in federal court for misleading Tesla's investors in his post on Twitter in August of 2018[...]Musk tweeted that he had "funding secured" for a buyout of the electric-car company."

Recent Economic Growth And What it Means for President Trump

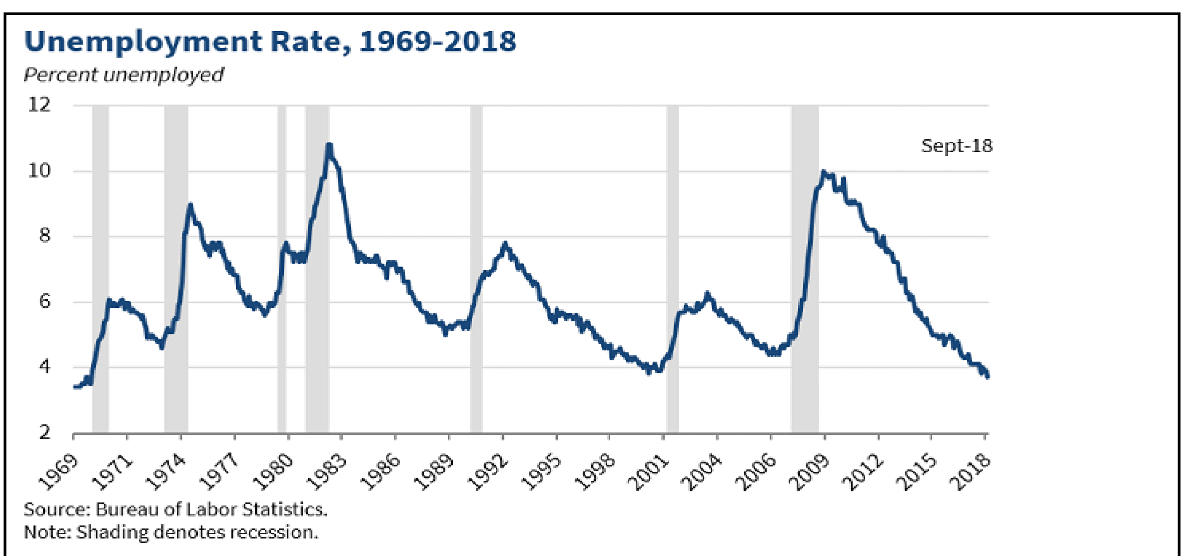
JJ Ryu

With all of the attention turned to America's social climate, President Trump's impact on the economy has been left under-analyzed. Conservatives asked about Trump's performance tend to point to a decrease in unemployment and an all-time high in the stock market. Although unemployment rates have been dropping and the stock market has been rising in the past year, it is unclear if these trends are sustainable and whether their primary causes actually stem from Trump's administration.

In early 2018, the unemployment rate dropped to 3.9%– the lowest it has been since 2000--but low unemployment may not be the marker of prosperity that it typically assumed to be. First, low unemployment may be problematic for American companies. With the growing job market and the lower rate of unemployment, employers are having a tougher job finding workers-- especially skilled ones. This has created competition between companies, forcing them to offer benefits such as tuition reimbursement and child care. Second, low unemployment may be a false metric. The unemployment rate is simply a reflection of the number of people actively looking for jobs, so as Baby Boomers are retiring and illegal immigrants are deported, the drop in unemployment may be due to a shrinking population of workers rather than to a growing job economy. Third, history suggests that low unemployment may signal an unstable economy. There is no concrete way to predict the longevity of this level of unemployment, but when looking at past trends, whenever the unemployment rate dropped below the natural line, there was a recession to follow closely behind.

Similarly, Trump's boasting of a strong stock market may be nothing more than trumped up ownership of naturally occurring growth in the market. In fact, many of Trump's economic policies may have actually made the market more vulnerable. Specifically, Trump began a trade war with China, which resulted in a 10% tax on $200 billion of goods from China, making it increasingly more expensive import steel. American companies that make steel products now have higher costs, which means that their prices must be higher in competitive international markets, and American consumers must also pay higher prices for goods made with steel. These policies have made investors skittish, and thus, the American stock market has fluctuated more than it did before these protectionist policies were implemented. The stock market is not a robust measure of general economic growth; the vast majority of the money in the market is invested by wealthy people, and growth in stock market is not felt by most Americans. If anything, growth in the stock market may contribute to income inequality, which can be seen as an indicator of a weak economy.

Another cause for this drop has been the raises in interest rates made by the US Federal Reserve in order to keep inflation down in order to prevent a depression. This rise in interest rates has made it more expensive for companies to invest and borrow stocks. The expense of trading in stocks has made bonds a more viable option, causing the stock market to dip. Inconsistencies have always been a part of the stock market and at the moment, the market as a whole is on the rise and has been for the better part of the last decade. There is no telling how long this trend may last -- especially coupled with the unemployment rates and increasing need for skilled workers -- but a complete switch from stocks to bonds may be the tipping point into the downfall that America is fearing.



The Cryptocurrency Market

by Ashley Dai

As Bitcoin celebrates its 10th year as the world's leading cryptocurrency, investors and financial institutions have begun to pay close attention to the cryptocurrency market. At first glance, cryptocurrency can appear inaccessible or overly technical, and terms like 'blockchain' and 'P2P' can seem like meaningless jargon. However, as the global economy becomes increasingly digitized, business-minded individuals must understand the basics of how cryptocurrencies are able to bypass government manipulation, exist as decentralized currency platforms, and achieve the level of attention they enjoy in today's market.

In 2008, a developer writing under the name Satoshi Nakamoto published a paper titled "Bitcoin- A Peer To Peer Electronic Cash System". The paper detailed a peer-to-peer (P2P) network for digital transactions- the first decentralized digital cash system. Every currency system is essentially a network capable of storing accounts, checking balances, and carrying out transactions. To make sure no individual uses the same quantity for two separate transactions, most networks make use of a central server to keep track of every user's accounts and balances. Protecting these central servers from hacks can be costly, and centralized currencies are prone to government influence. Bitcoin network to store a list of transactions; every single person on the Bitcoin network needs to have the same list in order to check whether a user's attempted transaction is valid.

Bitcoin accomplished this previously unthinkable feat by using a database known as a blockchain. In the blockchain, every transaction (user A sends x bitcoin to user B) is a file signed by user A's private key which is then sent to every computer on the network. When the transaction is confirmed, the file enters the blockchain as permanent record and every computer cements the transaction in their list. Whereas traditional databases are confined to a few computers, blockchain sends the heavily encrypted data to thousands of servers and forces all servers to agree on any change being made. This basic concept of a P2P network combined with blockchain revolutionized digital currency and serves as a foundation for the more than 1,000 different cryptocurrencies on the market today.

In most cryptocurrencies, tokens are created through a process called mining, in which miners use their computers to solve increasingly difficult cryptographic puzzles. When a miner discovers an answer, they can build a block– a piece of data– to add to the blockchain.As a reward, they have the right to create a transaction that gives them some number of tokens from the system. Instead of traditional banking systems where a user's transactions are debts to the bank shown on an account, these tokens are akin to virtual gold coins in that they represent themselves, not debts to other users. Once a transaction is confirmed, there is no way for user A to get their tokens back. Conversely, there is no way to prohibit user A from sending tokens to user B if they wish to do so, as long as they have sufficient tokens according to the blockchain.

"Every currency system is essentially a network capable of storing accounts, checking balances, and carrying out transactions."

May 22, 2010 marked the first Bitcoin transaction, in which Jacksonville programmer Laszlo Hanyecz exchanged 10,000 bitcoin for two pizzas. Today, bitcoin is traded on more 200 exchanges and one bitcoin is worth more than $6,000 dollars; in today's rates, Hanyecz paid more than $30 million per pizza. Other cryptocurrencies have gained popularity over the years and use Bitcoin's basic blockchain concept. Known as altcoin, these cryptocurrencies allow for competition and technological innovation within the field. Whereas Bitcoin has become too successful to risk untested changes, altcoins offer new features and concepts and act as a playground for developers to test components that may become mainstream.

Developed as the "baby sibling" of Bitcoin, Litecoin uses a new mining algorithm and a larger number of tokens, making it a faster alternative to Bitcoin. Its code inspired even faster cryptocurrencies, such as Dogecoin and Feathercoin. Litecoin is traded as a backup to Bitcoin as it can be purchased using fiat (real-world) money on some exchanges. A favorite of darknet users, Monero is a crypto whose innovation comes from its cryptonite algorithm, which adds the privacy features Bitcoin lacks. Using ring-signatures, Monero was able to erase the trail of transactions that accompanied blockchain.

Following Bitcoin, Ethereum is the se cond largest cryptocurrency or cryptocurrency platform. Along with its own token, Ether, Ethereum processes contracts and programs using the same blockchain technology. Because of its various uses of blockchain and capability as a platform, Ethereum has quickly risen due to its appeal to not only investors, but app developers and those looking to launch their own cryptocurrencies. The platform also hosts other tokens such as DigixDAO and Augur. Because of Ethereum's popularity, ether and bitcoin are the only tokens that can be used to purchase altcoin on all exchanges.

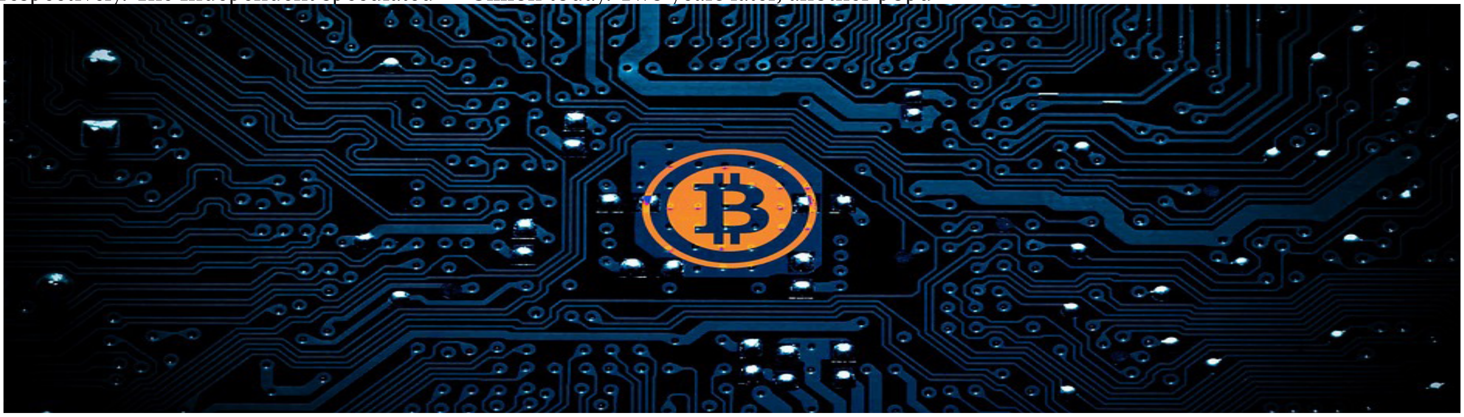
Both Bitcoin and Ethereum peaked in late 2017 to early 2018, when each token was worth $19,140.70 (Bitcoin, Dec. 19) and $1,385 (Ethereum, Jan. 13). Since then, their values have been on a downward trend, with tokens worth $4,213 and $119 respectively. The Independent speculated that the crashes were due to the publishing of a paper suggesting artificial inflation of prices, as well as a hack on a South Korean exchange. Another source attributed the decrease in market values to Asian governments' discouragement of unregulated cryptocurrencies. As with stocks, it is often difficult to pinpoint the exact cause of a crash or a rally in the price of a cryptocurrency, especially considering the susceptibility to hacking and artificial inflation through manipulation of the platforms themselves. Even so, many experts predict prices will rise despite the volatility of the cryptocurrency market, expecting stabilization if and when Bitcoin is adopted by institutions and governments. Many making predictions for a 10-20 year outlook say Bitcoin will reach prices far higher than its December 2017 peak.

The biggest critics of cryptocurrencies warn against the impending doom of government regulations. The IRS, realizing the profit to be made from cryptocurrencies, began to tax Bitcoin and other cryptocurrencies as property in 2014. Any virtual currency with fiat (printed currency) value is subject to capital gains taxes, or taxes incurred when property is sold for a profit. For each cryptocurrency sale, investors must calculate their net gain and report each figure on an IRS form; total gain is included in the investor's 1040 Schedule D. Experts recommend that all cryptocurrency investors and users keep a clear record of their transactions for tax purposes, but with many traders using crypto bots to automate their trading, IRS regulations surrounding cryptocurrency can be difficult to enforce. As seen in China, investors tend to turn toward unregulated cryptocurrencies or exchanges when governments begin to target specific institutions.

In February of 2014, four years after its first transaction, Bitcoin faced its biggest obstacle yet: a hack on Mt. Gox, the largest Bitcoin exchange in the world, resulted in the loss of over 850,000 bitcoin, worth over $5 billion today. Two years later, another popular exchange named Bitfinex lost 120,000 bitcoin due to hacking. While cryptocurrencies are based on relatively secure algorithms, the algorithms can be broken with sufficient computing power. With the rise of quantum computing and quantum codebreaking, all cryptocurrencies must adopt new cryptography practices to keep users safe.

For those looking to invest in Bitcoin, Ethereum, or altcoin, understanding the technology behind these cryptocurrencies is vital to understanding the current state of the market. Experts recommend storing most tokens in a wallet, a combination of addresses on the blockchain, instead of entrusting funds with brokers, which can be risky. Furthermore, they suggest keeping an eye on exchange listings, software updates, platform applications, and government regulations. For a market as volatile as that of cryptocurrency, experts also urge investors to pay attention to public hype (think Elon Musk's tweets about making Tesla private) and media headlines, which can greatly influence the market. Bitcoin may just be a passing trend of the earliest 21st century, but to many investors and market experts, cryptocurrencies are the future of the global economy.

"With the rise of quantum computing and quantum codebreaking, all cryptocurrencies must adopt new cryptography practices to keep users safe."



Amazon's Superhuman Growth

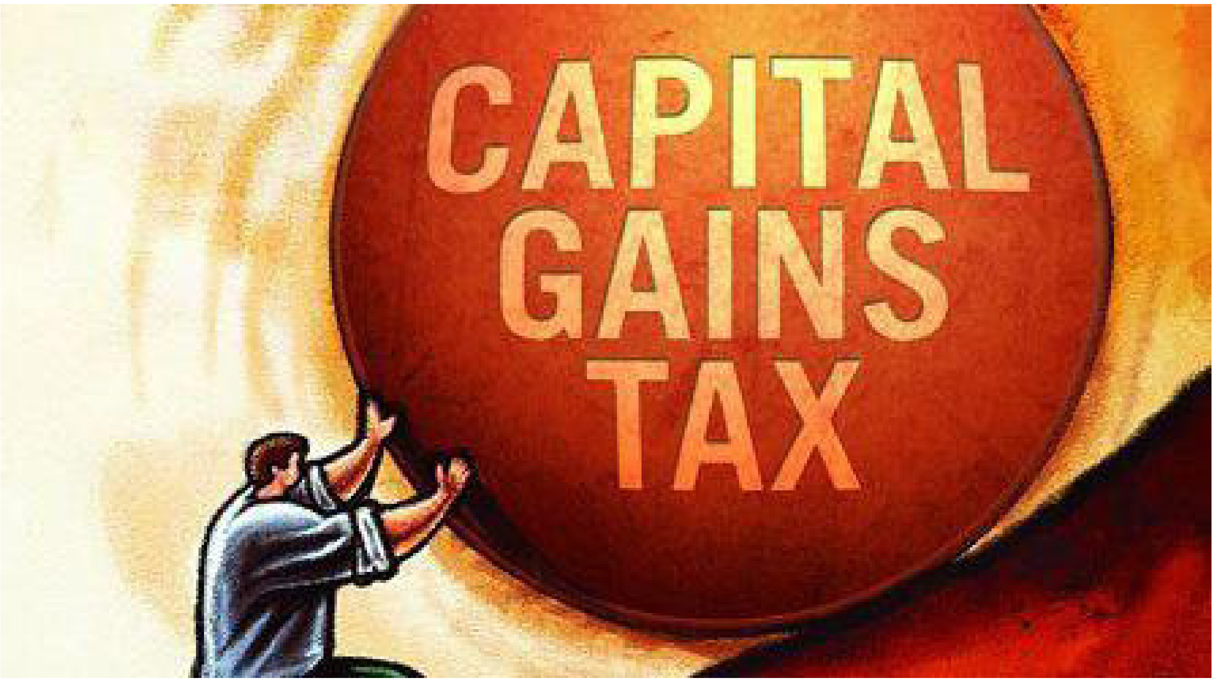
Michael Shaari

How has a company gone from a garage-based online bookstore to one valued at almost one trillion dollars? Is it a matter of using all resources possible, nonstop working, an austere product application process, or a combination of all?

Amazon was started in 1994 by Jeff Bezos when he began his online bookstore. As Bezos received orders, he manufactured, packaged and shipped them from his garage. As the years progressed, the company began selling more than just books, and this was the true beginning of Amazon's expansion. As the company progressed it began hiring more and more employees in order to cope with the rapidly increasing demand. At this point, Amazon was a "retail company", and while this may be all Amazon is known for from a general view, as you go deeper into the trillion dollar company's history, you began to see the tactics and techniques used to develop and stay up to date with all of the new innovations. Amazon gradually progressed into a technological-advanced company as ideas such as the cloud-based company were brought into light and now Amazon leads that industry as well. Using their broad knowledge of technology, engineering, and economics, Amazon began innovating themselves, rather than just building off of what has been made before. An example of this today is the Amazon Echo, or more commonly known as Alexa. Amazon spent myriad years to create this groundbreaking device which not only serves as a personal assistant but connects every aspect of technology into one, complex device with a simple user interface. Meager releases like this slowly add up, such as the Amazon Dash button, allowing for Amazon to grow and appeal to all due to its affordable prices and ease of access. Novelties and creations like these are what shapes a garage-based company into one that is known worldwide and appeals to all types of vendors.

Over the past 24 years, Amazon has scrutinized patterns in the success and failure of companies and how each minuscule change affects the success of the company. One of the major trends that CEO and founder Jeff Bezos noticed was the reuse of profit in the investment of new ideas. He believes that if you make money on an idea or product, the way to be most profitable is not to directly deposit it, rather reinvest a significant portion of it into a new idea. Once that money is reinvested, it will kickstart whatever it has been used for and the money will be returned at a higher profit rate. More importantly, Amazon employs its resources very wisely, for example, the scheme of technology and cloud-based services. In 2006, Amazon unveiled the "Amazon Elastic Compute Cloud" which was its first public step in becoming an entirely cloud-based service, besides manufacturing and distributing physical goods of course. At first, this idea did not go very far but as it slowly became popularized, it received a quick boost in profit. This is one of the most influential factors in amazons profitable growth throughout the past ten years. Amazon truly began profiting from a cloud-based service around 2013 though. One more key tactic Amazon uses to appeal to customers and become globally acknowledged is appealing to customer needs or consumer centricity. As Lindsay Marders states, "Amazon puts a chair in every boardroom to represent the customer — a physical reminder to innovate on their behalf." Additionally, she acknowledges that "Amazon doesn't even consider starting a new project until they've looked at it through the customer's eyes. If someone wants to recommend a new product, he or she must write a (pretend) press release outlining the benefits of the product they envision." Details like such are indispensable in Amazon growing as they can only grow when customers have an incentive to buy their products. Another vision Bezos has thereby a successful company is the ability to completely change directions in order to stay in business. An illustration of this vision being successfully executed is with film company Kodak. In 1975, a Kodak employee shared his thoughts on a digital camera, and because this completely opposed Kodaks fundamental beliefs, they instantly suspended this idea. After subconsciously understanding this pillar, Kodak has comprehended that in order to stay in business they have to radically change their fundamental principle, a true camera with film, and shift over to something that opposes what they originally believed in order to stay in business.

Amazon's growth throughout the years is not unexpected. Jeff Bezos and company aggressively studied economic patterns in successful companies and mimicked these traits. A rigorous set of steps followed in order to publish an idea narrows down to those that will only benefit the company, which is funded by Bezos' belief of economic renewability: In the long run, your company will be most profitable if you take previous profits and put a large portion of it back into new ideas. Therefore, with these now funded ideas, an even larger profit margin will be returned as those new ones become successful. Over the course of 24 years, a garage-based company has morphed into one that is about to be one of the first trillion dollar industries in the U.S., in summary, due to five major pillars. First is Operation Excellence, which in summary believes that making small, but frequent changes is best because they can be easily undone, and additionally a company should anticipate and prepare for failure which they should be able to benefit and learn from. Secondly is the security of data, and as its name suggests, a company is best to keep their data safe at a cost because otherwise, they will have a bad wrap to their name. Thirdly, reliability, or the ability to recover from a fall or crash quickly because minutes can cost your millions. Fourth of all, performance efficiency, which declares you should do frequent tests to make sure everything is running smoothly, and lastly, cost optimization. This states a company should be aware of their expenses so finances are best optimized.



The Case Against Capital Gains Tax Cuts

By: Walker McCarthy

After the sweeping tax cuts enacted in December of 2017 by a Republican Congress with the backing of the Trump administration, conservatives have chosen another target, the capital gains tax. The conservative attempt to abolish the capital gains tax is both misguided and dangerous as it will destabilize the American economy and lead to fatal budget cuts.

Capital gains are the profits from the sale of a capital asset, such as shares of a stock, a business, a parcel of land, or a work of art. Capital gains are generally included in taxable income, but are taxed at a far lower rate. A capital gain is realized when a capital asset is sold at a net price higher than its purchase price. A key distinction when classifying capital gains is whether they are long term or short term. Capital gains are classified as long term if the asset was held for more than one year, and short term if held for a year or less. A short term capital gain is taxed as ordinary income, unlike long-term gains. Taxpayers in the 10% and 15% tax brackets pay no tax on long-term gains on most assets. However, taxpayers in the 25-39.6% income tax brackets face a 15-20% rate on long-term capital gains. In short, the capital gains tax is a method of taxation that incentivizes investment over labor by taxing income from investment at a lower rate than income deriving from actual work.

If the United States Government were to abolish the tax on capital gains it would unfairly benefit the upper class and in turn increase income inequality. The majority of capital gains tax payments come from those who make up the top five percent income bracket. Data from the Internal Revenue Service (IRS) shows that tax filers making $200,000 or less, approximately 14.3 million individuals (out of 130.8 million) reported income subject to capital gains tax, about 11%. However, among tax filers making upwards of $200,000 (1.8 million of 3.6 million filers) 51% report capital gains tax payments. Essentially the rich are the ones paying this tax, therefore they are the only people who would benefit from this cut. If the capital gains tax were abolished, the rich would receive a sudden burst in income, while the middle/lower class would not benefit at all, exponentially widening income inequality.

An increase in income inequality could have a devastating effect on our economy. Historically, in both the case of the 2008 recession and the Great Depression, spikes in income inequality preceded major economic crises. Worse yet, within developed nations, income inequality empirically kills off economic growth. Specifically, it has caused a 9% decrease in economic growth in the United Kingdom, and an 10% decrease in New Zealand. On the other hand, greater equality prior to the crisis helped increase GDP per capita in Spain, France and Ireland. When societies are composed of a select group of ultra-rich people while all others have few opportunities for economic advancement, financial security is imperiled.

The cutting of the capital gains tax would also have destructive effects felt by Americans throughout the United States through budget cuts. According to the Congressional Budget Office, capital gains taxes are usually between 2 and 3% of total tax revenue. Abolishing the capital gains tax would lead to a large loss of government revenue. This is problematic because Republicans in Congress and the Senate would rather make cuts than raise the deficit. In fact, they're already on the brink of doing so; Republicans are already trying to cut healthcare and welfare to pay for the rise in the deficit caused by their tax cuts. Abolishing capital gains pushes them over the edge.

If social spending is cut, mortality in the United States will soar. This can first be seen in healthcare. Without health insurance, the poor across America die from preventable diseases. Annually more than 44,000 Americans die because of a lack of health insurance. This figure will skyrocket if government subsidized healthcare loses a key revenue generator. In addition to a dramatic increase in the number of uninsured Americans, current healthcare services would be prevented from saving hundreds of thousands of American lives every single year. Secondly, the social safety net will face a dramatic effect on its efficacy. According to Rob Garver of Georgetown University, in 2015 social assistance programs reduced the number of Americans living in poverty by nearly 50 percent. Garver continues that the social safety net lifted 48 million people out of poverty in 2012 alone.

A conservative interest in reducing taxes and stimulating American businesses is all well and good, but when millions of lives hang in the balance there is no question, the capital gains tax cannot be repealed.

"Republicans are already trying to cut healthcare and welfare to pay for the rise in the deficit caused by their tax cuts. Abolishing capital gains pushes them over the edge."

The Effect of Brett Kavanaugh's Supreme Court Appointment on the Economy

Charlotte Cebula

The approval of Justice Brett M. Kavanaugh onto the Supreme Court has sparked outrage and uncertainty among a large portion of the American population due to the allegations he faces for committing sexual misconduct in the past and his views on Title X and women's access to abortion services. However, not only will Kavanaugh's new seat on the Supreme Court affect women's reproductive rights, but it will also impact American businesses. In the past, Judge Kavanaugh has ruled in favor of business over the consumer, overruling regulators in legal cases over 75 times. Kavanaugh's policies regarding consumer protection, net neutrality, and health care could impact the American economy, especially now that the Supreme Court is controlled by a conservative majority.

The Consumer Financial Protection Bureau (CFPB), formed under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, is intended to regulate and take on big banks and financial institutions that exploit consumers. Funded by the Federal Reserve, the CFPB has a single appointed director who serves for five years. The CFPB has the ability to create and enforce national consumer financial laws. Justice Kavanaugh, a proponent of big banks and against regulations, ruled in 2016 that the CFPB structure was not constitutional, arguing that the director had more unilateral authority than any other government official, other than the president. He stated that the agency was "unconstitutionally structure" and could lead to "arbitrary decision-making and abuse of power." He suggested that instead the president should be allowed to supervise, direct, and fire the director of the CFPB. Fortunately, his D.C. Circuit Court colleagues reversed the decision on legal grounds, but this case indicates Kavanaugh's staunch opposition to regulation of business. This means that Kavanaugh's approval may increase opportunities for big businesses to profit, but consumer privileges could be at stake.

Moreover, Kavanaugh's past rulings exhibit his opposition to the federal regulations of internet services, simply known as net neutrality. Net neutrality ensures the regulation of internet service providers so that they cannot charge more money for faster or more effective services. Kavanaugh provided the dissenting opinion on the U.S. Telecom Association v. Federal Communications Commission case in 2017, arguing that the Federal Communications Commission (FCC) did not have the authority to impose net-neutrality on internet service providers. He justified this argument on the basis that regulations against internet service providers by FCC constitute a "major rule." In addition, he argued that the FCC's regulations would violate the First Amendment right of all internet service providers. Businesses that profit off of internet service could benefit greatly from Justice Kavanaugh's rulings against regulation, but a large majority of the population could face higher prices for internet usage, and even be barred from using certain sites.

Furthermore, Justice Kavanaugh has taken the conservative stance on issues that will result in increased taxation and cuts in government spending, such as health care. In the 2011 Seven-Sky v. Holder and 2015 Sissel v. HHS cases, Kavanaugh wrote two dissents to challenge the constitutionality of the Affordable Care Act (ACA), and in the 2015 Priests for Life v. HHS case, he dissented regarding the ACA's accomodations for contraception coverage. These past rulings contribute to a track record of valuing business over consumer and opposition to public institutions funded by taxpayer dollars. However, an uninsured population actually is more burdensome on localities. In fact, uncompensated medical care that must be subsidized publicly requires the raising of public revenues and public budget cuts. In a nation as large as the United States, an insured population of 3.2 million people has serious repercussions on the economy. Regardless of past misconduct and accusations, Kavanaugh's approval could likely lead to a less regulated economy, which would greatly benefit many businesses.

"Kavanaugh's past rulings exhibit his opposition to the federal regulations of internet services"

Exxonmobil Promotes a Carbon Tax Plan

by Diya Mookim

On October 9th, 2018, Exxonmobil pledged to donate $1 million to a group campaigning to place a tax on carbon dioxide emissions. The group is promoting a plan that will tax the carbon content of fuels and return the proceeds of the tax to Americans. Given that Exxonmobil is one of the world's largest publicly traded oil companies and the largest American oil group, their support towards this initiative came as a shock to many. Why would one of the largest oil companies in the U.S. encourage attacks on the exact product it produces?

One big reason a company would do this is to get regulatory certainty or "regulatory simplification." That would put an end to lawsuits attempting to hold oil companies liable for damages caused by climate change. Exxonmobil is the first large oil company to support the campaign. The plan would provide regulatory certainty to energy companies by placing a relatively high price on carbon while also proposing a limit to the Environmental Protection Agency's (EPA) authority to regulate carbon emissions. The tax would be a $40 per ton of carbon dioxide, which is equal to about 36 cents per gallon of gasoline. This price increase will put pressure on companies to reduce their emissions, but there are also advantages for oil companies. Regulations on emissions would be lifted, which would reduce compliance costs and expenditure of resources while following government requirements.

The tax would also help push the power industry away from coal and more towards gas. The increased demand for gas would be beneficial for the environment, as gas creates less carbon emissions when used to generate electricity. The tax revenue would be returned to the American public in periodic payments. A tax return would increase an individual's disposable income, which would lead to further stimulation of the economy. In an attempt to level international affairs with countries that do not tax carbon emissions, the policy would offer a refund on American goods being exported to those nations and place a tariff on those countries' imports into the United States.

In the past, ExxonMobil has been criticized for its support of other organizations that cast a doubt on climate science, most notably the Competitive Enterprise Institute. In the last three years, Exxon has faced allegations that they deceived the public about the dangers of climate change, regardless of their knowledge of the role of fossil fuels on global warming rising temperatures. The #ExxonKnew campaign started with a series of investigative reports in 2015 and spurred lawsuits seeking to pin Exxon accountable for the cost of adapting to climate change and for misleading investors. Even in the past, the company's actions have been doubted by the public, and its recent actions are only building to the suspicion.

Exxonmobil's actions and intentions are being interpreted differently by the public. Many label it as a scam and a sneaky attempt to control the debate on climate action. "As part of the deal for supporting a price on carbon, Exxon wants to be freed from all climate liability," says Jamie Henn, a member of a powerful climate movement, who is understanding Exxon's intentions uniquely. Rather than an accusatory response, some felt that Exxonmobil's backing was an important step in building support for the plan, due to the lack of public support and President Trump's announcement of of withdrawal from the international Paris Agreement. Analysts say the company would rather face a single, overarching tax than a patchwork of taxes and regulation to address climate change and this could be the company's reason for being on board with this carbon tax. Greg Bertelsen, Senior Vice President of the Climate Leadership Council, says the carbon tax has always been viewed as a longer term effort. As climate change looms in our future, ExxonMobil's initiative towards the carbon tax will hopefully spur a series of reform mirrored by other companies.

imagination at work

General Electric's Comeback Kid

Oliver Steinman

For the last 20 years, General Electric, once an American business behemoth, has been in a terrifying free fall. General Electric has lost nearly half a trillion dollars in market value over the past 18 years, roughly the size of Facebook. In 2008, General Electric was hit hard by the recession, with the stock falling upwards of 42%. Additionally, GE invested $9.5 billion in the acquisition Alstom Power, a French transportation company, proving to be a horrific investment. GE has a history of poor decision making and lack of leadership during acquisitions, culminating in the Alstom failure.

In an effort to stem the tide of its decline, GE named Larry Culp as its new Chief Executive Officer and Chairman of the Board, replacing John Flannery. Culp is the first CEO in General Electric history to come from the outside, meaning that he has not held a position at GE prior to his recent employment. Before being appointed this job, Culp worked as the CEO of Danaher, a Fortune 500 conglomerate. During his years there, he quintupled the company's market value, and Danaher is now one of the largest science and technology conglomerates in the world.

Culp has been put in this role to continue John Flannery's plan to remake the company which includes regrouping the power division within GE, lowering the dividend, and streamlining corporate expenses. On October 30, nearly a month after Culp took over as CEO, General Electric released its quarterly earnings, which confirmed GE's poor performance. The stock fell 9% and closed at $10.18 a share, the lowest value since the financial crisis in 2009. The new quarterly dividends dropped down to a penny per share, and GE will again cut dividends to lessen their debt. The stock fell about 50% over the last year and was removed from the Dow Jones Industrial Average in June, after spending 100 years on the DOW.

Wall Street analysts want to give Culp until early 2019. In his call with the analysts, executives said that Culp was a great asset to the company and a "rock star", referencing his success at Danaher. Even Culp himself said that he has been in a similar situation before, hoping to parallel his experience at Danaher by turning profits at GE. Culp was successful at Danaher to due his ability to acquire small businesses and turn them into money makers. However, General Electric has an opposing plan, as they attempt to narrow their focus on solely company assets. He Culp also praised his 300,000 person workforce as to not put the blame for GE's performance on its employees.

Culp's biggest challenge is not winning over his workers, but rather his shareholders. In order for Culp to turn around General Electric's market value, he must implement the changes relatively quickly if he wants to keep his position. These changes include continuing John Flannery's plans, in addition to separating GE healthcare into its own private entity. Other than these goals, Culp most likely has more plans to pick GE up off its feet that we will discover during GE's next quarter.

Russia's Economic Crisis

Ekaterina Arutyunyan

FIn 2014, Russia experienced a massive dip in the value of the ruble, causing the country's biggest economic crisis to date. Countries have different understandings of what an economic crisis is: some consider it a rise in unemployment or inflation, while others see it as a dropping GDP or the stock market crashing. For Russia, a crisis is defined by a fall of oil prices. Oil is very important to Russia. Historically, the Soviet Union would export oil in exchange for US dollars, which it then used to buy international imports. When the value of oil dropped in 2014, so did the ruble, resulting in a change that the country has yet to recover from. Starting around the time of the Sochi Olympics, Russia was plunged into political turmoil.

In February of 2014, all eyes were on Russia as the Winter Olympics were drawing to a close. As money poured in from the games, the crisis only got worse. During the winter months, a fierce argument exploded surrounding Crimea, a region of Ukraine. With the shift of political power in Ukraine from Pro-Russian to Anti-Russian leaders, Crimea (composed mainly of Russians) voted by an overwhelming majority to secede from Ukraine and join the Russian Federation. Russia supported the decision, and Western countries issued economic sanctions claiming that Russian President Vladmir Putin had broken international law. In result, Russia was forced to establish counter sanctions and reduce the importation of agricultural products from Western countries.

With the continuing economic instability Russia faces, the ruble has yet to regain its original worth. While Putin has more national support support now compared to before the crisis in 2014, Russia's GDP has been consistently falling, and international affairs grow worse by the day. All sectors of the economy have fallen with the exception of agriculture (Russia has grown to become the world's biggest wheat role in the fall role This factor played a major in the fall of the economy, as internal exchange of products is limited. In contrast, the U.S utilizes a free market system which stimulates the country's economy.
producer.) Russia has also established stable relations with the Organization of Petroleum Exporting Countries (OPEC) and actively cooperates with Saudi Arabia to coordinate oil supply on the international market, which has helped to double oil prices from their lowest point in February 2016. Russia has supported efforts to refuse using the dollar in international trade, joining India, China, and other allies. This is a demonstration of resilience against Western sanctions that still drive the economic crisis. While economists have estimated that within the next 5-7 years, the economy should regain its original stability, they are slowly losing hope. As always, politics will continue to drive Russia's policies and situation, and therefore the economy's future remains relatively unpredictable.

Throughout the spring this conflict continued, until the middle of summer when a Malaysian Airlines flight was shot down over the Donbas region of Ukraine. The Ukrainian government blamed Russia for the incident, and the conflict intensified. In the midst of an independence war from Ukraine, Donbas served to worsen the political climate and oil prices dipped dramatically. This is commonly regarded as the start of the crisis.

The ruble was rapidly falling with banks scrambling for a solution to put out the fire. On the night of December 15, 2014, the Central Bank raised the exchange rate of the ruble from 10% to 17%. This evened out the economic crisis, and the ruble remained at it's already halved value. Shortly thereafter, the country fell into economic crisis.

Large companies in Russia are informally controlled by the government, and as a result are able to monopolize markets where competition would ordinarily fuel the growth of economy.

"Starting around the time of the Sochi Olympics, Russia was plunged into political turmoil."

A Solution to the Venezuelan Crisis

By Noah Fawer

The bilateral relationship between the United States and the Bolivarian Republic of Venezuela has historically been defined by trade and investment partnerships, in addition to collaboration to combat the production, transit, and distribution of illegal drugs. While Hugo Chavez's socialist policies, which opposed the United States' capitalist ideologies, initially did not drastically alter economic relations between the two nations, recently, the United States has designated Venezuela as a nation that has explicitly failed over the past years to fulfill their obligations according international counternarcotics agreements. Such a designation usually leads to economic sanctions, but President George Bush waived the sanctions because they would have handicapped his planned democracy programs in Venezuela and undermined his attempts to secure access to their oil reserves. In 2006 and 2007, when oil prices were still rising, the U.S. remained Venezuela's most crucial trading partner, as in 2007 alone, Venezuela exported over 40 billion dollars of oil to the United States despite the volatile relationship between the two countries; however, restrictions and sanctions were also put in place in other industries. Since May of 2006, the U.S. Department of State, in reference to Section 40A of the Arms Export Control Act, has prohibited the sale of defense articles and services to Venezuela due to lack of cooperation on anti-terrorism and anti-drug efforts.

On May 28, 2014, the United States House of Representatives passed the Venezuelan Human Rights and Democracy Protection Act, applying economic sanctions on Venezuelan officials who were accused of severe mistreatment of protesters in the 2014 Venezuelan Protests, which protested the country's high levels of urban violence, inflation, and chronic shortages of basic goods attributed to economic policies including strict price controls. On March 9, 2015, President Barack Obama signed a presidential order that declared Venezuela a "threat to national security" and ordered sanctions against an additional seven Venezuelan officials. These financial sanctions against the Venezuelan government have forced it to begin to default on its sovereign debts. Venezuelan President Nicolás Maduro dismissed the sanctions as an attempt to destroy his socialist government. Furthermore, Venezuela has long accused Washington of trying to destroy the government and blames foreign interference for its growing economic struggles, including hyperinflation, widespread hunger, and food and medicine shortages. The White House responded by claiming that the sanctions were in reaction to Venezuelan officials' violations of human rights, citing United Nations resolutions on human rights. Additionally, the United States was concerned by the lack of political opposition and discourse, as a result of the intimidation of non-socialist candidates.

Despite relentless lobbying from the oil industry, President Donald Trump has upheld Obama's views in taking a harsh stance on Venezuela, recommending additional sanctions and refusing to rule out military action. President Maduro has claimed that military action would infringe on Venezuela's national sovereignty. Other members of the Venezuelan government have recently threatened the United States and Trump in response to his recent comments.

When addressing the crisis in Venezuela, the United States must first put aside its own economic agendas and impose strict economic sanctions on Venezuela due to the continuous violations of human rights by the Venezuelan government on their own people. Although the United States should strongly encourage the Venezuelan Socialist Party to allow for political opposition, hold fair elections, and rid themselves of political corruption, the U.S. must also consider the national sovereignty of Venezuela. Finally, as an international community, developed countries must aid the struggling people of Venezuela who are only victims of the crisis plaguing their homeland.

The Myth of Representative Money: Green Slip

by Jacob Shaw

Imagine having to explain how money works to a martian. You pull out a wrinkled slip of greenish paper with the face of an old man wearing a wig and start to explain how we call this paper "money," and that it can be given to someone at a store in exchange for something you want. Our government set it up, and frankly, we can't imagine life without it.

The martian furrows its singular eyebrow and is shocked that we buy into a system that requires us to put so much faith in tiny slip of paper. He points out that if humans suddenly lose faith in these flimsy pieces of paper, this so-called "money" would lose its value.

While you try to convince the alien that it doesn't work that way and that an apocalypse like that could never actually happen, you realize maybe your little green friend is right.

The fact is, we don't need to be from Mars to not fully understand how our monetary system works (or what it even is, for that matter). Most Americans live happy lives oblivious to the fact that we are forced by society to submit to a faith-based monetary system. Clearly, we don't need to understand how money works in order to spend $4.95 at Starbucks for a pumpkin spice latte.

Or do we?

Let's start from the beginning. As the first civilizations began to develop, so did the need for trading—I can't be a beekeeper and a shepherd, but I can exchange my honey for my neighbor's sheep. When humans were began cultivating crops and domesticating animals for the first time, people began trading livestock and plant products based on two things: what they needed at the time (utility), and how easy they were to re-trade to someone else (marketability).

As populations grew and people began to spread out geographically, bartering became much more difficult—the shepherd wouldn't be willing or able to walk twenty miles with his sheep to trade them for my honey. Besides, what if he didn't want my honey, but that was all I had to offer in order to get his sheep?

It'd be much easier and more efficient if you could have a means of exchange, or something with intrinsic value that you could carry around with you. Many different types of commodities have been used across the world as a means of exchange—from cowry shells, used across Ancient China, Africa, and India, to ancient bronze ornamental daggers, used later on in Shang dynasty China.

It's not surprising that people gravitated toward a standardized system that made sense to everyone—yes, the market values of the commodities would fluctuate, but this shift to systematization allowed for a uniform currency that would always remain in consistent ratios to one another. Over time, minted currencies of various precious metals, including gold and silver, became universally recognized and globally accepted, valued for their effectiveness as a medium of exchange.

The use of commodity money, however, required faith in the system—there was absolutely nothing forcing me to accept the monetary value of gold as something I deemed to be worth the same as my honey. While there was intrinsic value in the currency, many times that intrinsic value wasn't something we needed; this wasn't like bartering for food, where I had no choice but to accept the value of food as it is essential to my survival.

However, like with bartering, carrying

How We Give Purchasing Power to
s of Paper

around gold in large enough quantities was difficult. These metals too, while easy in small quantities, are hard to carry long distances. In 1661, humanity saw the invention of paper money in Sweden. Societies only printed as much paper money as they knew they could back up with the commodity, creating what they often called a standard. Essentially, these banknotes were just certificates that entitled you to gold and silver stored at a bank that you could withdraw at any time, while the paper itself contained hardly any intrinsic value. This is called representative currency.

The United States had a gold standard for the larger part of the nation's history (and briefly a secondary silver standard that ended in 1806) that placed a concrete definition of the value of their currency. The Gold Standard Act, passed in 1900, declared one dollar to be equal to 23.22 grains of pure gold. As more gold entered the country, the economy would go through inflation as the rarity of the money would be diminished, and conversely when gold became more rare, the value of the dollar would increase.

Then, in 1929, the Great Depression shook the global market. From the start, many nations abandoned their gold standards. The US and other nations, dubbed the "gold bloc," tried to hold on to their gold-backed currencies. However, every major currency eventually lost its gold standard. Studies showed that the earlier a country eliminated their gold standard, the less they suffered during the course of the Depression. But why?

Control.

A money system without any concrete backing whatsoever is called "fiat money," Latin for "let it be done." If we look back at representative currency, we see that the two things that determine its value is the value of your gold and the faith that your gold can be redeemed. The only reason why fiat money is worth anything is belief. The two simple facts that authorities say it has value and that we believe them give modern money its value. There is absolutely no concrete backing to the value of money—one can say it simply exists as a constructed concept in our collective minds. As such, institutions of power can control the very value of money by setting interest rates and printing more money.

During the Great Depression, governments used their new fiat systems to do just that—print more money to stimulate economic growth. The US government tried to briefly reinstate the gold standard in 1944 as the postwar economy started to surge. However, the gold standard quickly began to fail, as the price of gold kept rising until Nixon disbanded the gold standard once and for all in an effort to gain control of the economy once again.

For the previously unheard of damage enabled by the spread of fiat money, look no further than the ongoing Venezuelan socio-economic crisis. The authoritarian regime in charge of the nation, no longer engaging in oil production or foreign trade, simply printed more money to "make money." However, in the process, the government devalued its currency tremendously, with consumer products skyrocketing 52,000% since last November alone, predicted to reach 1 million by the end of this year. This crisis affected all levels of society, not just the economy. While the country did experience high unemployment, closure of companies, and drop in productivity, Venezuela also erupted into societal chaos, launching unprecedented political corruption, severe shortages of food and medicine, a high dependence on oil, and record high crime rates, leading to an estimated 2.3 million refugees fleeing from the country at the time of writing. Such a crisis simply couldn't have happened in a commodity-backed society without the advent of this Pandora's box of fiat money.

Fiat-centered monetary catastrophes are far from a new phenomena—stories similar to those in Venezuela have seemed to constantly develop worldwide since the time of the Great Depression. During the time of the Weimar Republic of post-World War I Germany, we saw this same type of currency devaluation to a point where the Deutsche Mark was commonly used as kindling for fires. Just look at Argentina in from 1989 to 2002, undergoing two economic crises linked to extraordinarily high inflation rates (peaking at 20,000% in 1990) and colossal societal impacts. During this period of 13 years, more than half of the population fell into poverty, earning the latter crisis its title of the Argentine "Great Depression."

We should have learned our lesson. However, following the trends in monetary "evolution" (or rather, more accurately, "devolution"), we took one small step away from powerlessness and a giant leap towards decentralization and potential damnation, counterintuitively leaving us vastly more prone to danger than previously imaginable.

If you thought fiat currencies were unstable, then take that same system, but instead make it unrecognized by a majority of the population, have no government or known company backing its usage- some governments even actively criminalize the use of our fabricated monetary system. However, our imagined system is far from hypothetical and exists today—we have entered the anarchic world of cryptocurrency.

Bitcoin, to many economists, is seen as the epitome of what not to do. All value is digital, represented in a way far from the organic means of the vast majority of human existence. The volatility of Bitcoin, the oldest and most established cryptocurrency, was estimated to be 8 times that of the US dollar—meaning you're eight times more likely to lose everything. The potential risks of engaging with such a system have already proven to be colossal—founded in only 2009, the currency recently fell 80% in incredibly short period of time.

Having seen what damage oppressive regimes inflict upon their people under a century of experience in the world of international fiat monetary systems, one can cannot even begin to predict the nightmares we face if we continue to invest our time and more importantly, faith, in this new realm of economics.

Humanity switched to fiat money to gain control of the forces of nature—we, overly eager and dangerously self-assured, brought on the once uncontrollable and mysterious power of money and attempted to reign it in to benefit humanity.

Are We on Track to Another Recession?

By Nina Mussa

Falling into another recession is inevitable, but the looming question is whether economists are correct in claiming that the recession will arrive by 2020. As of the third quarter of 2018, Gross Domestic Product (GDP) growth is healthy at 3.5%, the unemployment rate is 3.9%, and consumer spending and confidence is on the rise. Thus, despite occasional fluctuations, the market is doing well.

The threat of recession stems primarily from market expansion. If the expansion that began in 2009 were to be maintained until the predicted 2020, the next election cycle, it would mark the longest period of American economic expansion. Tax cuts, increased government spending, and robust global growth are expected to aid in insulating the economy against a downturn over the next couple of years, despite occasional dips in the market. Krishna Guha of Evercore spoke of the prospect of a "train wreck" in 2020 stating that Federal Reserve efforts to slow down or prevent overheating may lead to rates escalating higher than markets suffering from the end of the fiscal boom and a decrease in global growth can handle. Furthermore, the expansion could be prolonged if President Donald Trump's tax cuts incentivize more corporate investment and increased productivity, or if the intense jobs market influences more Americans to join the labor force. Either development would decrease the risk of incredibly steep inflation rates. Former Federal Reserve chairman Ben Bernanke discussed the stimulative benefit of the tax cuts, stating that it "is going to hit the economy in a big way this year and the next year," he continued, "And then in 2020, Wile E. Coyote is going to go off the cliff and look down." While the economy is expected to to prosper for a couple of years, the prospect of a recession is becoming more and more of a reality as analysts begin to predict a similar outcome.

Over the last two years, the Federal Reserve has not had any difficulty with the markets. Gradually, inflation and employment rates have improved as the Federal Reserve has slowly raised interest rates; however, the threat of instability is high. Miscalibration of interest rate policies by the Federal Reserve would lead to an economic deceleration or further increase the risk of recession because of the timing of tax cuts and spending increases enacted this year. Furthermore, rising interest rates, fading fiscal stimulus, and world demand could leave the economy extremely vulnerable to a contraction.

Carl Riccadonna and Yelena Shulyatyeva of Bloomberg Economics credit the risk of recession to "overly restrictive fiscal policy and excessively tight monetary policy" and the cumulative effect of other potential policy missteps. While the economy seems to be in solid shape for now, the $300 billion boost to government expenditures will burn off after two years under the budget agreement passed by Congress. As a result, economists have begun to discuss a fiscal cliff in 2020 with falling expenditures bringing down the economy. The debate is over, whether or not lawmakers will act to prevent it. Even if they do, it is still improbable that their actions would stop economic downfall. Michael Feroli, the chief U.S. economist at JPMorgan Chase & Co. in New York, forecasts that the budgetary boost to growth will diminish from a half of a percentage point this year to a quarter of a percentage point next year to essentially not existent by 2020.

The last two recessions began with the popping of an asset bubble: dot-com stocks in 2001 and houses and the mortgage securities backed by them in 2007. Consequently, it makes sense to analyze various markets that might spark the same response. Global debt markets are the primary concern. Large corporations have amassed debt over the last decade as a result of low interest rates and the chance of increased returns for shareholders. According to data from McKinsey Global Institute, the worth of corporate bonds increased by 2.6 trillion dollars in the U.S. between 2007 and 2017, rising from around 16% to 25% of the GDP. According to the same data, the increase in overseas debt, particularly in emerging markets, is even higher. Furthermore, the move towards more debt being owed by shakier borrowers is increasing, thus creating a more fragile debt bubble. Businesses have been profiting from low interest rates and increases in profits but if either were to change, companies with higher debt burdens may struggle to pay their bills, risking bankruptcy.

The increased spending currently threatens to overheat the economy by pushing unemployment below its long-term sustainable level, inevitably leading to an eventual rise in wages and inflation. As a result, it is more likely that the Federal Reserve will overreact by raising interest rates, tipping the U.S. into recession.

The True Value of Gold

"...tremendous amounts of precious metals lie near the core of the planet, inaccessible by current technology. Due to its scarcity and historical consistency of value, gold still holds high value today."

By Tae Kyu Lee

People often see gold as a shiny metal that makes jewelry or as unit of currency in video games. Gold is viewed as a symbol of wealth, although its physical value is often misunderstood. The history of gold goes back to the formation of earth; during earth's formation, atoms of gold were scattered around the universe from a supernova "compacted into meteorites" and hammered down on the surface. Other precious metals, such as silver and platinum, arrived on our planet in similar manners. However, tremendous amounts of those precious metals lie near the core of the planet, inaccessible by current technology. Due to its scarcity and historical consistency of value, gold still holds high value today. Precious metals were used as the first organized form of currency, not including the early method of trading for goods. Even in the United States, coins were partially made of gold and silver. Banknotes could be traded for the equal value of precious metals until the late 1900's. This system of legal tender being backed by precious metals allowed the people to have a sense of real money in the currency.

The lower denomination bills, such as the $1 and $5 bills, were called "silver certificates", meaning that anyone bearing either of these banknotes could go to a bank and trade the bill in for the equal value of silver. Higher denomination bills that were backed by a certain amount of gold were coined "Gold Certificates." Coins such as the dimes, quarters, and dollars were 90% silver, promising the coin bearer a metal value in the coin. Today, the legal tender "money" is not backed by precious metals and only holds value from the citizens' belief of the government's words that it has value. This is called the fiat currency.

Seeing as gold has been a valuable asset throughout history, it's no wonder that people have tried to secure it throughout civilization. Recently, the Barrick Gold Corporation and Randgold Resources Ltd. merged, giving the original Barrick Gold shareholders two-thirds of the new merged corporation, and the Randgold shareholders the remaining third. This new company represents a massive change to the precious metals market, becoming the largest gold mining company with $18 billion in company value and owning 5 of the 10 biggest gold mines in the world. This will allow the new Barrick corporation to have the largest gold reserve in the world. With gold prices recently dropping, the new company hopes to balance and steady the gold market. They desire a consistent flow and delivery of gold to their customers, creating a more open line to the precious metal. Over the past few decades, gold prices have always been volatile; this new merger could bring back the steady market of precious metals that existed nearly a century ago. This could create profit distributed to many workers and shareholders, in addition to balancing many uneven economies around the world. Gold has been influential in shaping and solidifying the economy throughout our history and will continue to do so in the future.

Stock of the Issue

Daniel Wolf

The stock pick of this issue of BusinessMann is Becton, Dickinson and Company (NYSE:BDX). Becton, Dickinson and Company is an American medical supply and technology company that was founded in 1897 in Franklin Lakes, New Jersey. BD is a component of the S&P 500 index and ranks 225th on the 2017 Fortune 500. They currently employ over 41,000 workers globally and saw $12.1 billion dollars of revenue in 2017. The customers of BD include hospitals and research centers/laboratories. Over the last decade, they have acquired smaller medical supply companies including CareFusion and C. R. Bard. The company is a strong indicator of the medical industry as a whole; as BD's stock price goes up, the weighted average stock price of lots of other medical companies goes up as well. Investing in Becton, Dickinson and Company is a good option for investors who are expecting growth of the healthcare industry in general.

Valued at $61 billion and selling as of November 30th for $252.75 a share, this medical device giant is a solid long and short term stock pick. For those looking for a way to make a bit of low-risk cash: in 2017, share price soared 30% and rose again in 2018 by 20%. In addition, investors looking at longer-term gains will be pleasantly surprised by their dividend payout. While BDX only pays a seemingly quiet 1.1% quarterly dividend, this percentage has consistently gone up for 46 years. Analysts from Simply Wall St. predict that BD's earnings will grow by 68.5% over the next 1 to 3 years and is expected to exceed the US market average as well as the low risk savings rate. Analysts also say that BD's cash flow is not undervalued or overvalued. Becton Dickinson is a great pick for all kinds of investors, even those new to the stock market.

BusinessMann Word Search!

W	L	W	P	N	M	M	N	M	W	R	G	V	J	W	V	N	T	T
A	A	S	U	B	W	A	Y	Y	N	R	B	N	W	Q	T	X	L	T
Y	I	W	C	U	C	A	R	N	E	G	I	E	S	T	E	E	L	B
S	S	N	N	S	A	U	S	D	E	B	T	S	E	C	J	V	D	T
A	S	V	B	I	P	R	A	G	R	I	C	U	L	T	U	R	E	B
N	E	E	C	N	I	S	M	E	S	J	S	N	A	S	D	A	Q	Y
D	Z	N	P	E	T	O	E	A	T	T	T	B	I	T	C	O	I	N
M	F	T	R	S	A	C	R	R	A	E	A	A	C	H	I	N	A	R
E	A	U	O	S	L	I	C	N	N	A	R	M	F	N	M	M	V	N
A	I	R	T	M	P	A	A	I	D	P	T	A	I	D	P	X	V	R
N	R	E	E	A	O	L	N	N	A	A	U	Z	A	B	U	S	T	M
S	E	C	C	N	R	I	T	G	R	R	P	O	T	G	N	Q	M	Z
T	K	A	T	N	T	S	I	S	D	T	N	N	B	U	B	B	L	E
A	B	P	I	I	F	M	L	D	J	Y	U	S	D	R	Y	M	W	V
R	K	N	O	N	O	K	I	G	Z	J	G	W	T	Q	D	K	L	N
R	J	Q	N	E	L	R	S	D	B	Z	J	G	R	L	L	D	J	B
I	Q	W	I	N	I	Y	M	A	P	P	L	E	V	W	M	B	Y	N
F	D	J	S	M	O	Y	K	K	P	N	L	T	D	V	D	G	W	N
D	B	Y	M	N	L	B	L	D	Z	T	Q	W	Y	Z	Q	N	D	Z

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