VOLUME 18 ISSUE 3

An Integrated Curriculum For The Washington Post Newspaper In Education Program

Taxes & Tariffs?

- Student Activity: Two Ledes, Two Industries
- Post Reprint: “Five Myths — Capitalism”
- Post Reprint: “Trade deal ends Canada’s ability to require domestic storage of citizens’ data”
- Think Like a Reporter: Bring the Story Home
- Post Reprint: “I’m all Kavanaughed out. So let’s talk about baseball.”

Tariffs may lead to increased salaries or they may result in downsizing of businesses and loss of jobs. When imposed tariffs escalate into a trade war, the side effects can be unsettling due to uncertainty in supply chains, pricing and availability of goods and services.

Articles reprinted in this resource and suggested activities are meant to stimulate discussion of our economy, the effects of tariffs on businesses and expectations of employees. Students are also asked to consider intellectual property and data storage implications of the new North American trade agreement. Meaningful reporting of these issues relates the big international and national issues to the community — localize the news.

TARIFFS CARRY SIDE EFFECTS

David Von Drehle's "I'm all Kavanaughed out. So let's talk about baseball." provides relief from tariffs, while it includes current events and research, stats and cultural history — and the impact of a trade. Baseball and sports fans among your students may enjoy thinking about this trade as well as those being contemplated by their favorite teams.

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Two Ledes, Two Industries

JABIN BOTSFORD/THE WASHINGTON POST

President Trump walks from the Oval Office to Marine One as he departs the White House on Tuesday.

MICHAEL HENNINGER FOR THE WASHINGTON POST

Richard Lattanzi, mayor of Clairton, Pa., and a safety inspector for a nearby U.S. Steel plant, poses for a portrait Tuesday.

Drug firms, oil industry win big in trade deal

BY JEANNE WHALEN

• *Originally Published October 2, 2018*

A handful of major industries scored big wins in President Trump's North American trade agreement — at times at the expense of ordinary consumers in the United States, Canada and Mexico.

The winners include oil companies, technology firms and retailers, but chief among them are pharmaceutical companies, which gained guarantees against competition from cheaper generic drugs.

The gains underscore the benefits U.S. industry will be seeking, and the pressure it will exert, as the Trump administration continues rewriting trade deals with other countries and regions.

Lobbyists for several industries said they hoped the U.S.-Mexico-Canada Agreement, or USMCA, would serve as a yardstick for future U.S. trade deals, including any involving China.

Steelworkers wonder where their windfall is

BY JEFF STEIN

• *Originally Published October 4, 2018*

CLAIRTON, Pa. — When President Trump imposed tariffs on steel imports in June, Richard Lattanzi thought of dozens of his fellow steelworkers who have for years put off badly needed repairs of their cars and homes.

"There was a lot of excitement here; there were a lot of us saying, 'It's about time someone is looking out for us,' " said Lattanzi, the mayor of this town of 7,000 and a safety inspector at the U.S. Steel plant in nearby West Mifflin. "A lot of people around here were saying, 'We're going to be okay.' "

Four months later, Lattanzi is less optimistic. Production at U.S. Steel's facilities have ramped up, and the company announced this summer that, thanks in part to the tariffs, its profits will surge. But in interviews in recent weeks, Lattanzi and other steelworkers said they're no longer confident they'll take part in the tariff bounty.

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FIVE MYTHS

Capitalism

By Steven Pearlstein

Thirty years ago, in the face of a serious economic challenge from Japan and Europe, the United States embraced a form of free-market capitalism that was less regulated, less equal, more prone to booms and busts. Driving that shift was a set of useful myths about motivation, fairness and economic growth that helped restore American competitiveness. Over time, however, the most radical versions of these ideas have polarized our politics, threatened our prosperity and undermined the moral legitimacy of our system. (A recent survey found that only 42 percent of millennials support capitalism.) Here are five of the most persistent ones.

MYTH NO. 1

Greed, a natural human instinct, makes markets work.

Adam Smith, the father of economics, first pointed out in his most famous work, *The Wealth of Nations*, that in vigorously pursuing our own selfish interests in a market system, we are led "as if by an invisible hand" to promote the prosperity of others. Years later, Smith's theme that capitalism runs on selfishness would find its most famous articulation in a speech by a fictional corporate raider, Gordon Gekko, in the movie *Wall Street:* "Greed … is good, greed is right, greed works." (Defenders of free markets have been desperate to disown the "greedy" label ever since.)

Smith, however, was never the prophet of greed that free-market cheerleaders have made him out to be. In other passages from *The Wealth of Nations,* and in his earlier work, *The Theory of Moral Sentiments*, Smith

MYTH NO.2

Corporations must be run to maximize value for shareholders.

This is an almost universal belief among corporate executives and directors — that it is their principal mission and legal obligation to deliver the highest possible return to their shareholders. The economist Milton Friedman first declared in the 1970s that the "one social responsibility of business [is] … to increase its profits," but the corporate raiders of the 1980s were the ones who forced that view on executives and directors, threatening to take their companies or fire them if they didn't go along. Since then, "maximizing shareholder value" has been routinely used to justify layoffs and plant closings, rationalize an orgy of stock buybacks, and defend elaborate corporate schemes to avoid paying taxes. It is now widely taught by business schools, ruthlessly demanded by Wall Street's analysts and "activist" investors, and lavishly reinforced by executive pay packages tied to profits and share prices.

In fact, corporations are free to balance the interests of shareholders with those of customers, workers or the public, as they did routinely before the 1980s, when companies were loath to boost profits if it meant laying off workers or cutting their benefits. Legally, corporations can be formed for any purpose. Executives and directors owe their fiduciary duty to the corporation, which is not owned by shareholders, as widely believed, but owns itself (in the same way that nobody "owns" you or me). The only time a corporation is obligated to maximize its share price is when it puts itself up for sale.

MYTH NO. 3
Workers' pay is an objective measure of economic contribution

The theory of "marginal productivity" holds that a worker's wage or salary reflects the "amount of output the worker can produce," according to Harvard's Greg Mankiw, author of a best-selling economics textbook. This idea is useful in constructing economic models, but Mankiw and others have also relied on it to justify widening income inequality and to oppose proposals to redistribute income based on subjective notions of what is "fair." It is why we are supposed to accept that private-equity king Steve Schwartzman, at $800 million, should earn 20,000 times what the average American worker earns, as he did last year.

In reality, however, the pay set by markets is also subjective, reflecting the laws and social norms under which markets operate. The incomes earned by workers who planted tobacco — and those who owned tobacco plantations — changed considerably after slavery was abolished, and again after laws protecting sharecroppers were enacted, and again when minimum-wage laws were passed, and again when farmworkers won the right to unionize. Changes to trade law, patent law and antitrust law also alter the distribution of income. While it is probably better to rely on markets rather than government to set pay levels, that doesn't mean that the way the markets set pay is a purely objective assessment of economic contribution or that redistribution is theft.

MYTH NO. 4
Equality of opportunity is all people need to climb the economic ladder.

No moral intuition is more hard-wired into Americans' concept of economic justice than equality of opportunity. The reason Americans tolerate higher levels of income inequality is because of our faith that we all have a fair chance at achieving the American Dream or becoming the next Bill Gates. "In America we stand for equality," writes Arthur Brooks of the American Enterprise Institute, a leading defender of the morality of capitalism. "But for the large majority of us, this means equality of opportunity, not equality of outcome." In a 2015 New York Times poll on income inequality, 35 percent of Americans said they believed everyone has "a fair chance to get ahead."

But while the United States has made great strides in removing legal barriers to equal opportunity, at least half the difference in income between any two people is determined by their parents, either through inherited traits like intelligence, good looks, ambition and reliability (nature), or through the quality and circumstances of their upbringing and education (nurture). As our society has become more meritocratic, we've simply replaced an aristocracy based on title, class, race and gender with a new and equally persistent aristocracy based on genes, education and parenting. Unless we are prepared to engage in extensive genetic reengineering, or require that all children be brought up in state-run boarding schools, we must acknowledge that we can never achieve full equality of opportunity.

MYTH NO. 5
Making the economy fairer will make it smaller and less prosperous.

Economists have long believed that there is an unavoidable trade-off between equality and growth — having more of one means having less of the other. Arthur Okun's book about it, *Equality and Efficiency: The Big Tradeoff*, remains a classic. The implosion of communism and the decisions of socialist countries like Sweden to reduce taxes and welfare are widely seen as acknowledgments of the failure of overly egalitarian systems to produce adequate economic growth.

But evidence suggests that there is also a point at which high levels of inequality begin to deliver less economic growth, not more — and that the United States has passed that point, according to research by the International Monetary Fund. That's partly because more-unequal economies tend to have oversize and overcompensated financial sectors that are more prone to booms and busts. Other researchers have found that worker productivity suffers when economic gains are not widely shared.

A further reason may be that rising income inequality erodes the trust people have in one another and their willingness to cooperate. As the political economist Francis Fukuyama has written, this "social capital" lubricates the increasingly complex machinery of market economies and the increasingly contentious machinery of democracy. Countries with more social capital tend to be healthier, happier and richer.

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Trade deal ends Canada's ability to require domestic storage of citizens' data

BY SELENA ROSS

• *Originally Published October 4, 2018*

MONTREAL — A few brief lines in the new North American trade agreement delivered a jolt in Canada, at least in some circles.

"No Party shall prohibit or restrict the cross-border transfer of information, including personal information," for business purposes, reads the text of the provisional deal signed Sunday by Canada, the United States and Mexico.

It adds that no member country can require a company to store "computing facilities" on its soil.

These measures mean abandoning rights that Canadians have often seen as privacy bulwarks against their powerful southern neighbor, especially in the post-9/11 era in which sweeping legislation has given government agencies wide latitude to surveil individuals.

Physically storing Canadians' data on their own land — a relatively common practice — kept it safe, some believed, from American surveillance agencies or from American police warrants.

This week, some Canadian data experts criticized the new kind of free trade, saying it undermines Canadian sovereignty.

But those deeply involved in the debate say it is also more complicated than most citizens realize. In the era of big data, the importance of location is not yet clear, they say, and fears inspired by post-9/11 surveillance are outdated.

"I think, realistically, if you're looking at superpower intelligence agencies, they would be able to access the data regardless of whether it's stored in a server in Toronto or in Chicago," said Omer Tene, vice president of the U.S.-based

JUSTIN TANG/CNANDIAN PRESS/ASSOCIATED PRESS

Prime Minister Justin Trudeau and trade negotiator Steve Verheul walk to a news conference on the trade deal in Ottawa.

International Association of Privacy Professionals. "There's very close collaboration between intelligence agencies, and they can overcome bigger technological obstacles than [the border]."

The new trade deal, the successor to the 1993 North American Free Trade Agreement, marks the first time Canada and the United States have formally negotiated data's role in trade.

Practically speaking, the new regulations will not result in much immediate change, experts say.

Many Canadian contracts have asked for or encouraged local data storage, particularly federal government contracts. That has helped lead to new "cloud facilities" in Canada, such as one of Google's, in Montreal, and those sorts of contractual requests will still be permissible under the new trade deal.

But only two provinces, Nova Scotia and British Columbia, have passed laws mandating the local storage of certain citizen data — something that will be forbidden under the U.S.-Mexico-Canada Agreement, or USMCA.

Nova Scotia privacy lawyer David Fraser says those provincial laws are a "blunt instrument" that may safeguard local jobs but offer little extra data security.

There are bigger concerns, he said. "There's the issue of hacking. There's the issue of interception," he said. "Frankly, I've seen … health-care providers decide they would use a less secure data center in Canada instead of a much more secure data center in the United States."

U.S. government access to Canadian data is equally complicated, he said. Much Canadian data would not be "particularly interesting" to U.S. agencies.

In any case, the location of a data facility is secondary in those situations, too. "It could be held by a U.S. company in a Canadian data center and the U.S. company is still subject to U.S. law."

Privacy aside, the flow of data is an important trade issue. Requiring local data storage in Canada, while achievable for giants such as Google and Amazon.com — or any smaller Canadian firm — can present insurmountable extra costs for American start-ups hoping to do business in Canada. Being able to use U.S.-based storage can also cut costs for Canadian companies.

The world of big data moves so quickly that the debate has changed even in the year since the NAFTA negotiations began. Last spring, the passage of the U.S. Cloud Act smoothed the way for U.S. law enforcement authorities to obtain digital information stored in Canada and other countries — and for Canadian authorities to do the same in the United States. Canada has not said whether it plans to enter into such an agreement, but if it did, it would render one Canadian concern mostly moot.

That pace of change, however, is what worries the Canadian critics of the new trade provisions.

Regular people are only beginning to understand the data trail they create, and governments are only beginning to adjust. In the past few years, for example, the European Union has created barriers around its citizens' data, including rules governing where it can be stored.

The USMCA limits Canadian provincial governments' ability to fine-tune their policies in the future, said Michael Geist, an expert in privacy and digital law at the University of Ottawa.

"As there is growing concern around personal information and where it goes, the pressure on governments to establish those kinds of restrictions or requirements, I think, is a real possibility," he said, "which is one of the reasons you see these kinds of provisions included in these agreements."

Canada signed away too much, too soon, Benjamin Bergen, executive director of the Council of Canadian Innovators, a technology business group, said in a statement. "Leading trade experts and economists warned that it was too early to enshrine data in trade agreements," he said.

A Canadian government spokesman said negotiators "obtained guarantees" under the USMCA that Canadians' privacy will be guarded and their financial data kept safe. One measure allows requirements that Canadians' financial data be stored in Canada if a foreign financial institution appears unable to ensure that Canadian regulators will have full, immediate access to the data.

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Think Like a Reporter

Bring the Story Home

THE WASHINGTON POST

A number of business stories were in the news in 2018. Apple, Google, and Tesla got plenty of coverage for different reasons. Toys R Us and Geoffrey the Giraffe shared bankruptcy with Mattress Firm and "Top Chef" Mike Isabella. Seemingly unending scrutiny was given to trade, tariffs and retaliatory tariffs — and potential side effects on international, national and local businesses and customers.

As a student reporter, you could write a news brief based on the print, broadcast and online coverage of any of these stories. But what would be more challenging — and meaningful — is to make the story local. What does this business news mean to the students, faculty and staff of your school? What does it mean to the pocketbooks and budgets of people and businesses and schools in your community?

You may choose any of the current business stories to localize. To illustrate the process, let's use the tariffs story.

Summarize the International and National Story

Read current news stories. Listen to the evening news. Review several reliable online news sources. Who are the main people involved? What is the essential action and reaction?

> *In March 2018 President Trump signed an order imposing tariffs on steel and aluminum imports from countries, except for Canada and Mexico. Stating national security as the reason, he placed a 25 percent tariff on steel imports and a 10 percent tariff on aluminum. Trump indicated he would exempt other allies that changed their trade policies with the U.S.*

What followed this action?

How did President Trump and his administration respond?

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Summarize the Current Situation on the International and National Stage.

What has happened since the initial action?
Have more tariffs been imposed?
Have all countries come to an agreement?
Who have found alternatives?

Any Impact on Goods and Services?

What local industries and products have had to adjust supply chains?
Have any local businesses or products had to seek new sources of supplies or products?
Have any local businesses had to down size?

Have Budgets and Pocketbooks Been Influenced?

Talk to coaches. Have any materials that are used to maintain playing fields gone up in price? Any no longer available? What about school uniforms? Where are they made?
Talk to the head custodian. What products are used to clean and sanitize the school? Have any changed in price or availability?
Interview the head of food services. Does your school cafeteria use any imported foods or ingredients? Are the meals served based on locally grown ingredients?
Interview a guidance counselor. Have parents of any students lost their jobs due to the impact of tariffs on goods and services?
Interview the head of school transportation. Have changes occurred because of tariffs?

Listen. Be Ready to Add Follow-up Questions or Change Direction.

Perhaps there has been no impact from the initial, retaliatory or additional tariffs on imports, but prices have risen for another reason. These changes in budget may influence programs later in the school year. For example, what if fuel prices have risen substantially. There are no “rainy day” funds to cover bus transportation to away games.
What does the school or district plan to do about this?
Should parents and students be alerted? What about student government?
Get accurate information from several reliable sources to report the story.

What Does the News Mean to Your Community?

Keep this question in mind as you write an informative or explanatory article.

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I'm all Kavanaughed out. So let's talk about baseball.

BY DAVID VON DREHLE
Post Columnist

• *Originally Published October 5, 2018*

ELISE AMENDOLA/AP

Boston Red Sox players warm up during a baseball workout at Fenway Park, Thursday in Boston in preparation for Game 1 of the ALDS against the New York Yankees Friday.

I'm all Kavanaughed out. I hope some good will come of these past few weeks. Perhaps American men now have a better understanding of how common and how damaging sexual assault actually is. At the moment, however, it feels like the entire country has joined the Beach Week Ralph Club, and the hangover may be gnarly.

Let's look instead at something wonderful, a rare occurrence that reminds us who we are and how we got here. I'm referring, of course, to the American League playoff series between the Boston Red Sox and the New York Yankees. Arguably the greatest rivalry in American sports, the BoSox and Yanks battle routinely during the regular season — this year on an epic scale. But because they play in the same division of the same league, they can only meet in the postseason under very peculiar circumstances — when one team posts the division's best record, while the other wins the wild card.

I wasn't alone in thinking last spring that the Yankees were the favorites in the AL East. During the offseason, they did that thing they love to do, the thing that thrills their fans and steels their enemies: They reached into their seemingly bottomless cash drawer for Giancarlo Stanton, the mighty star of the measly Miami Marlins. The Yankees already employed Bunyanesque Aaron Judge, the 2017 AL rookie of the year. Most teams must be content with only one otherworldly slugger. But because nothing succeeds like excess in New York, the Yankees have always preferred two at a time.

Then Boston achieved something close to baseball perfection, outhitting the entire major leagues and, by at least one yardstick, outpitching them, too. The Red Sox record of 108-54 was the best in Boston's long history, and eight wins better than the excellent Yankees.

These teams haven't clashed in the playoffs since 2004, a year of sainted memory in the hallowed confines of Fenway Park. That was the year the wild card Red Sox fell behind their archenemies three games to zip in the league finals, then won eight in a row to knock out New York and sweep the St. Louis Cardinals for Boston's first World Series win in 86 years. (The Yankees consoled themselves by counting the 26 world championships they had won during that timespan.)

There's a lovely symmetry — so characteristic of baseball — in the fact that these teams are meeting up in 2018. It's a fitting 100-year commemoration of the historic 1918 season, when modern baseball and modern celebrity were born in Boston in the outsize personage of the man who would become the greatest Yankee of them all.

George Herman Ruth was a fireballer from Baltimore who had 67 wins in a tad over three seasons as the Red Sox star pitcher. His 1.75 earned run average in 1916 led a league that included Washington's Walter Johnson, perhaps the greatest pitcher of all time. Unlike most pitchers, however, the man they called "Babe" could also hit a ton. When future Hall of Famer Ed Barrow took over as manager of the Red Sox in 1918, he realized that Babe's bat was too valuable to rest between pitching starts, and he began the process of making Ruth an outfielder.

In a season without parallel throughout baseball history, Ruth posted a 13-7 record in 20 pitching starts while leading the American League in home runs and slugging percentage. He threw a complete game shutout against the Chicago Cubs in Game 1 of the World Series, then came back in Game 4 to pitch eight more scoreless innings and drive in the winning runs with a late-game triple.

The cash-strapped Red Sox traded Ruth to the Yankees the following year, and the rest is, quite literally, history. Ruth revolutionized baseball in the years that followed, but more than that, he wrought a revolution in American culture: the first sports superstar. Thanks to fledgling technologies like radio and newsreels, Ruth's extraordinary talent earned him the sort of fame that had been the exclusive province of kings, queens and generals.

What began with Ruth became a global phenomenon, with athletes among the most prominent people in nearly every country on Earth, and sporting events among the world's most compelling cultural moments. Now, more than ever, this feels like an unforeseen blessing. While many forces drive us apart — tribe from tribe, left from right, red from blue — our teams and stars still pull us together.

A rousing series from these storied franchises would do us all some good. And maybe another shot at a championship for the overdue Cleveland Indians, or a Cinderella run by the Colorado Rockies. Less Brett M. Kavanaugh and more Patrick Mahomes. And definitely some more "sheroics" from the USA women's soccer team. What we need, in other words, is something to cheer for.