SESSION #5
The Market is Changing with Society

1. **On line purchasing** will cause 50% of stores to close.
2. **Landline phone.** Being replaced by the mobile phone.
3. **Books.** Many are on line. Kindle is rich and unexpansive.
4. **Postal Offices.** Slow and inefficient. UPS and FedEx are effective competitors, well introduced but costlier.
5. **Bank checks.** Will be replaced by a plastic card or online. PayPal Credit (BillMeLater).
6. **Newspapers.** News are on line.
7. **Television.** News, movies, games, are “streaming” or “on demand” on PC and on DVD player.
8. **New HDTV antenna** will cancel cable and satellite TV.
Why’s in our Economy Life?

• Why did unemployment occur?
• Why did membership in Labor Unions decline?
• Why do we have inflation?
• Why do we have a national debt?
• Why do recessions occur?
• Stories from our Economy Life. Why did it happen?
WHY DID WE HAVE UNEMPLOYMENT?
**UNEMPLOYMENT**

**Definition:** People 15-74 years old without a job for >3 months

**Rate:** Unemployed number

\[
\text{Total Labor Force} = \% \text{ Unemployment rate}
\]

**Causes:** Economic recessions
- Industrial decline
- Company bankruptcy
- Organizational restructuring
- Market shifts - Globalization
The US unemployment rate increased to 3.6% in October 2019 from 3.5% in September in line with market expectations.

Unemployment Rate in the United States averaged 5.74% from 1948 until 2019, reaching an all time high of 10.80% in November of 1982 and a record low of 2.50% in May of 1953.
Types of Unemployment

**Classical** – Wages fall below a livable level.

**Cyclical** – Not enough demand to provide jobs.

**Capitalist (Marxist view)** – Employing less workers

\[ \Rightarrow \text{competition and lower salaries.} \]

**Structural** – Mismatch btw. supply and demand of workers and needed skill sets.

**Frictional** – Individual’s valuation of own work and looking for a job.

**Hidden** – Not officially counted.

**Long-term** – Longer than 27 weeks in all domains.
Modern Realities of Employment

1. High salaries made manufacturing less competitive ⇒ Jobs sent out.
2. Longer life span ⇒ less business having pension plans.
3. Funds are contributed to 401k plans.
4. Workforce needs to upgrade the skills to become competitive.
5. Lifelong learning is a new reality.
6. Robots will gradually replace workers.
Unemployment Rate in Germany between 1928 - 1935

It soared from 15.7% in 1930 to 30.8% in 1932
Supply-side solutions: Increase long-term growth by reducing wages

- Increased supply of goods and services
- Requires more properly trained workers

Develop new products with American know-how

Keynesian economics: Government interventions - e.g., FDR’s New Deal
Works Progress Administration Poster

WORK
PROMOTES
CONFIDENCE

WORKS PROGRESS ADMINISTRATION
LABOR UNIONS

WHY DID ITS MEMBERSHIP DECLINE?
LABOR UNIONS IN THE UNITED STATES

Began to form in the post-Civil War era.

Not well organized.

1886 - **American Federation of Labor (AFL)**. Well organized, supported strikes, became a major player in national politics, favored Democratic Party.

Backed the New Deal.

1936-1955 - **Congress of Industrial Organizations (CIO)**
Labor Unions in the United States

**Role:** Representing workers in industries

- Collective bargaining over wages
- Workers benefits
- Working conditions
- Later: Lobbying activities and electioneering

Mostly public sector: City and Government employees, teachers, police.

Union workers - 10-30% higher pay than non-union workers.
No more Union pension plans - 401k’s. Life span is longer.
Union Membership in the United States

Union Membership in the United States, 1930-2010

% of employed workers
% of wage and salary workers
 Decline in Unions Membership

<table>
<thead>
<tr>
<th>Country</th>
<th>1970</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>23.5</td>
<td>12.4</td>
</tr>
<tr>
<td>Australia</td>
<td>50.2</td>
<td>12.9</td>
</tr>
<tr>
<td>New Zealand</td>
<td>55.2</td>
<td>22.1</td>
</tr>
<tr>
<td>Austria</td>
<td>62.8</td>
<td>35.4</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>44.8</td>
<td>29.3</td>
</tr>
<tr>
<td>Ireland</td>
<td>52.7</td>
<td>35.3</td>
</tr>
<tr>
<td>Canada</td>
<td>31.6</td>
<td>28.4</td>
</tr>
<tr>
<td>France</td>
<td>21.7</td>
<td>8.3</td>
</tr>
</tbody>
</table>

Finland, Sweden, Denmark, and Belgium gained membership
Why did the Unions Membership Decline?

**Number:** 1983 - 17.7 Million    2016 - 14.6 million.

**Density** (% of total workers): 20.1% - 10.7%.

1947 - **Taft-Hartley Act** imposed limits on labor’s ability to strike and banned union contributions to political candidates.
Causes of Union Membership Decline

External causes:
1. Decline in U.S. manufacturing jobs
2. Globalization
3. Public opinion <50% in favor, related to high unemployment rate

Internal causes:
1. Corruption in leadership
2. Fear of socialism/communism
3. Made business less competitive
WHY DO WE HAVE INFLATION?
**INFLATION**

**Definition:** A sustained increase in the general price level of goods and services in an economy over a period of time.

Each unit of currency buys fewer goods and services

- A reduction in the purchasing power per unit of money.

**Money** (a.k.a. funds) is a commodity.

As a commodity, money is subject to the basic economy laws of supply and demand.
Causes of Inflation

1. “Demand-Pull” inflation - Increased demand for goods and services “too much money chasing too few goods.”
2. “Cost-Push” inflation - Increased production costs.
   “Monetary inflation” - Oversupply of money in the economy.
4. Higher energy costs.
5. National debt.

What may happen?
People cut out spending and save $\Rightarrow$ Markets suffer $\Rightarrow$ Companies lay off workers to cut costs $\Rightarrow$ Unemployment rates rise $\Rightarrow$ GDP declines $\Rightarrow$ Recession ensues.

Controlling inflation - Federal Reserve: Increases interest rate, slows the money supply.
Effects of Inflation

Winners
- Debtors
- Savers with “cash-drag” accounts
- Landlords

Losers
- Creditors
- Savers
- Fixed salaries
- Retirees
Effects of Inflation

1. **Erodes purchasing power** of currency due to rise in prices across the economy.
2. **Encourages spending** and **investing**: “Buy now, rather than later.”
3. **Causes more inflation**: The economy becomes awash in cash; supply of money is higher than the demand.
4. **Raises the cost of borrowing**: Encourages spending.
5. **Reduces unemployment and growth**: Inverse correlation with the inflation rate.
6. **Increases growth**: Consumers and businesses spend more or invest.
Annual Inflation Rates in the United States from 1666 to 2004
Consumer Prices in the United States
1776 - 2008


Until World War II, prices fluctuated trendlessly—rising rapidly with each war and drifting down afterward. But since then, the trend has been upward, both here and


meandered along until the Industrial
Comparing the two lines shows that
not necessarily accompanied by a decline
line. You can see, too, that real wages have
fallen since around 1800, rising more than

30-2 focuses on the behavior of consumer prices in the United States since the
Revolutionary War. Until World War II, the United
States generally on a combination of gold and

Three Strains of Inflation

Like diseases, inflations exhibit diversity. It is useful to classify them into three broad categories: low inflation, galloping inflation, and hyperinflation.

Low Inflation. Low inflation is characterized by modest increases in prices that rise slowly and predictably. Inflation in the double-digits annual inflation rate is an
relatively stable, people trust money

value from month to month and

Effect of Oil Prices in UK

UK inflation - RPI

Source: ONS CZBI
More About Inflation

When the general price levels in a country rise, it is called inflation.

It is not a modern phenomenon. Known by Romans, Medieval Europe, Africa, and South America.

The most critical and disastrous inflation occurred in Germany after WWI:

- Reparations: $32 billion payable in gold over 20 years.
- Productivity destroyed.
The German people after the Treaty of Versailles

Humiliated by the Treaty and made to assume blame,
Loss of heavy industries income,
Loss of productive farmland,
Unemployment and Loss of income,
Debt payments,
Inflation and Poverty,
Vengefulness
“Stab-in-the-Back” myth,
Hopelessness. Many suicides.
American contemporary view of German World War I reparations. Political cartoon, 1921
A 50 Million Mark Banknote Issued in 1923. Worth Approximately One U.S. Dollar When Issued

Would Have Been Worth Approximately 12 Million U.S. Dollars Nine Years Earlier,
Inflation in Germany after WWI

<table>
<thead>
<tr>
<th>Date</th>
<th>German Marks needed to buy one ounce of gold</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 1919</td>
<td>170.00</td>
</tr>
<tr>
<td>Sept 1919</td>
<td>499.00</td>
</tr>
<tr>
<td>Jan 1920</td>
<td>1,340.00</td>
</tr>
<tr>
<td>Sept 1920</td>
<td>1,201.00</td>
</tr>
<tr>
<td>Jan 1921</td>
<td>1,349.00</td>
</tr>
<tr>
<td>Sept 1921</td>
<td>2,175.00</td>
</tr>
<tr>
<td>Jan 1922</td>
<td>3,976.00</td>
</tr>
<tr>
<td>Sept 1922</td>
<td>30,381.00</td>
</tr>
<tr>
<td>Jan 1923</td>
<td>372,477.00</td>
</tr>
<tr>
<td>Sept 1923</td>
<td>269,439,000</td>
</tr>
<tr>
<td>Oct 2, 1923</td>
<td>6,631,749,000</td>
</tr>
<tr>
<td>Oct 9, 1923</td>
<td>24,868,950,000</td>
</tr>
<tr>
<td>Oct 16, 1923</td>
<td>84,969,072,000</td>
</tr>
<tr>
<td>Oct 23, 1923</td>
<td>1,160,552,882,000</td>
</tr>
<tr>
<td>Oct 30, 1923</td>
<td>1,347,070,000,000</td>
</tr>
<tr>
<td>Nov 5, 1923</td>
<td>8,700,000,000,000</td>
</tr>
<tr>
<td>Nov 30, 1923</td>
<td>87,000,000,000,000</td>
</tr>
</tbody>
</table>
One-million Mark Notes Used as Notepaper

October 1923
Investing for Retirement (1)
Compound Annual Rates of Return - Gross
1/1/26 - 12/31/11

FROM N. MURRAY – “SIMPLE WEALTH, INEVITABLE WEALTH”
Investing for Retirement (2)
Compound Annual Rates of Return, net Inflation
1/1/26 - 12/31/11

Source: Calculated by The Nick Murray Company, Inc. using data presented in
*Stocks, Bonds, Bills and Inflation* 2012 Yearbook. © 2012 Morningstar. All rights reserved. Used with permission.
Investing for Retirement (3)
Compound Annual Rates of Return, net Inflation, and Tax 1/1/26 - 12/31/11

Source: Calculated by The Nick Murray Company, Inc. using data presented in Stocks, Bonds, Bills and Inflation® 2012 Yearbook. © 2012 Morningstar. All rights reserved. Used with permission.
Investing in Stock

“The real long-term risk of equities is not owning them”
WHY DO WE HAVE A NATIONAL DEBT?
The **budget deficit** is the amount of money by which federal spending exceeds federal income in a fiscal year. **The sum of all previously incurred annual federal budget deficits creates the national debt.**

The total value of all outstanding Treasury bills, notes, and bonds that the federal government owes investors (national and foreign) is referred to as the **national debt.**
Facts - September 13, 2019:

U.S. Population: 329,967,153
U.S. Working Force: 158,969,834
National Debt: $22.933 trillion; GDP $21.570 trillion
(i.e., $69,499/citizen and $185,817/taxpayer)

National debt clock http://www.usdebtclock.org/
Who holds the Public Debt of the United States?

- Foreign - $6.004 trillion
- Federal Reserve - $2.485 trillion
- Mutual funds - $1.671 trillion
- State and local government, including their pension funds - $905 billion
- Private pension funds - $553 billion
- Banks - $663 billion
- Insurance companies - $347 billion
- United States Saving Bonds - $166 billion
- Other (individuals, government-sponsored enterprises, brokers and dealers, bank personal trusts and estates, corporate and non-corporate businesses, and other investors) - $1.662 trillion.
<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Interest rate</th>
<th>Interest paid (US$ billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>6.38%</td>
<td>362</td>
</tr>
<tr>
<td>2005</td>
<td>4.44%</td>
<td>352.4</td>
</tr>
<tr>
<td>2010</td>
<td>3.05%</td>
<td>414</td>
</tr>
<tr>
<td>2014</td>
<td>2.42%</td>
<td>430.8</td>
</tr>
</tbody>
</table>
National Debt and Entitlements

The Risks of Growing Entitlement Spending

Sometime between 2030 and 2040, mandatory spending will exceed government revenues.

Source: GAO Citizen’s Guide 2007
<table>
<thead>
<tr>
<th>Entity</th>
<th>2007</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>62%</td>
<td>93%</td>
<td>102%</td>
</tr>
<tr>
<td>European Union</td>
<td>59%</td>
<td>80%</td>
<td>83%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>47%</td>
<td>80%</td>
<td>86%</td>
</tr>
<tr>
<td>Japan</td>
<td>167%</td>
<td>197%</td>
<td>204%</td>
</tr>
<tr>
<td>Greece</td>
<td>104%</td>
<td>123%</td>
<td>165%</td>
</tr>
</tbody>
</table>
INTERMISSION
WHY DO RECESSIONS OCCUR?
RECESSION

**Definition:** A significant decline (contraction) in economic activity lasting at least **two quarters**, spreading across the five economic indicators: manufacturing, retail sales, employment, income, and real GDP.

Global recessions occur periodically after a market boom, and may last 8-10 years.
Recession (Cont’d)

First event: GDP growth rate is negative for 2 consecutive quarters.

First sign is a decline in manufacturing jobs $\Rightarrow$ firing employees.

Many recessions have been preceded by stock market declines.
The Business Cycle

Expansion, Recession, Recovery

REAL GDP

TIME

Peak, Trough
Recession

Causes: Various and intertwined

1. The principal cause is inflation,
2. An external event,
3. A sudden correction in overheated asset prices,
4. A drop in consumer spending due to inflation, which can lead to
5. Firms laying off employees ⇒ economic contraction,
6. Rising unemployment pushes down consumer spending ⇒ vicious cycle of economic contraction.
Recessions

Known since antiquity.

U.S.A. - Eleven recessions since the Great Depression of 1929.

**Duration:** 6-16 months

**Magnitude:** GDP decline 0.3% - 3.6%

Unemployment: 2.9% - 10.8%
The Great Recession of United States

Governments often have a large influence on the business cycle by increasing money supply and government spending, and decreasing taxation.

The Great Recession of 2007-2009 began with the bursting of an 8 trillion-dollar housing bubble ⇒ Housing market correction and Subprime mortgage crisis.
Deregulation of the financial industry permitted banks to engage in hedge fund trading with derivatives. Banks then demanded more mortgages to support the profitable sale of these derivatives.
Industrial and Commercial Loans and the Recession
Why an Economy is Heading to a Recession

1. Inflation: Accumulating effect.

2. Leveraged American Consumers and Corporations:
   Serious correction or fall in the stock market ⇒
   Collapse the consumer confidence ⇒ Recession.


Economic Recovery

Keynesian economy vs. Supply-side economy

**Keynesian:** Consumers and their demand for goods and services are the economic drivers.

**Supply-side:** Producers’ willingness to create goods and services set the pace of economic growth.
Dow Jones Industrial Averages
December 31, 2014 - December 31, 2017

Comparing U.S. bull markets (S&P 500) since WWII

Duration (in months)  U.S. bull market percent gain
June 1949 – August 1956  267.1%
October 1974 – November 1980  125.6%
How Does an Economic Crisis Ensue? A practical lesson in cause-effects.

A Story

Part 1

A noble man came to a village and wanted to buy horses. He offered $100 for a horse. Some villagers sold him their horses.

The next day, he returned and offered $150 for a horse. Some sold him their horses.

The next day, he offered $300 for a horse and the rest of the villagers sold him their horses.
A practical lesson (cont’d)

Part 2

One week later, the nobleman announced the villagers that he will offer $500 for a horse. The next day, he sent his attendants with the horses he bought and sold them to the villagers for $400 a piece. The villagers borrowed money, paid $400/horse, and bought them back, anticipating that they’ll sell them at $500. This never happened.
A practical lesson (cont’d)

Part 3

Nobody ever saw again the nobleman and his assistants.

The villagers could not pay their debts. The moneylenders complained at the City Hall saying that the villagers’ failure in paying back their debt will ruin them.

However, the lenders did not erase the villagers’ debt.
A practical lesson (cont’d)

Conclusions

• The villagers lost their horses to the lenders.
• The City Hall needed money, but could not get a loan because it did not have a collateral.
• The City Hall had to lower the salaries of its employees.
• Other employers followed suit and lower the salaries.
• The money lenders made good money.

The eternal truth: The rich become richer
The poor become poorer
Definition: A severe economic decline that lasts several years.

- Unemployment reaches 25%,
- Housing prices plummet 30%,
- Prices fall 10%,
- Real GNP falls 10%.

Since 1854, 33 recessions and one depression (The Great Depression of 1929)
Unemployment during the Great Depression
Stories from our Economy Life:
An application of the perennial

Why did it happen?
WHY HYDRAULIC FRACTURING?
Hydraulic Fracturing (Fracking)

**Definition:** A technique of increasing the oil/gas capture. Rock is fractured by pressurized water, steam, and sand.

Started in 1947. More than 2.5 Million fracking operations in the world. More than 1 Million in USA.

Highly controversial.

**Pro:** Economic benefits of increased production

**Con:** Environmental impacts
- Contamination of water sources
- Health hazards
- Increased seismic activity
Steam is Injected into Oil Fields where the Oil is Thicker than Normal Oil
Hydraulic Fracturing (Fracking)
Fracking and Earthquakes in U.S.

Central and Eastern US Earthquakes 1973–April 2015

- 858 M≥3 Earthquakes 1973–2008
- 1570 M≥3 Earthquakes 2009–April 2015
In 2007, Oklahoma had one earthquake. Last year, there were more than 900. What happened? Greed, politics and the biggest oil boom in decades

BY JOSH SANBURN/OKLAHOMA CITY
WHY ARE SOME OPPOSED TO FRACKING?
Fracking, Society, and Politics

- World opposition to fracking
- Protests
- Press activism

**Politicizing fracking**

Russia is against fracking in Eastern Europe. Why?
Fracking, Society, and Politics

- World opposition to fracking
- Protests
- Press activism

**Politicizing fracking**

Russia is against fracking in Eastern Europe. Why?

1. More gas in Eastern Europe countries
2. Less dependence on Russia gas supply
3. Decreases Russia’s geopolitical influence.
WHY IS COLTAN SO EXPENSIVE?
A Piece of Coltan
A metallic ore discovered ~1990

Name is short for *columbite-tantalite*

The Niobium-dominant mineral in coltan is Columbite

The Tantalum-dominant mineral in coltan is Tantalite

x 80 better conductor than copper

Resists high temperatures

Resists oxidation
Coltan - Uses

60 - 89% of world production used for:
Mobile phones, flat TV, video games, MP3, batteries, laptops, GPS, airplane industry, optic fiber, tele-guided weapons, artificial satellites, digital cameras, medical appliances.

Late 2000 - Great demand for *PlayStation 2* ⇒
Coltan price increased temporarily.
Cross Section of a Non-solid All Tantalum Electrolytic Capacitor, Hermetically Sealed
Tantalum Capacitor
Map of Colonial Africa in 1910
Coltan - Resources - Economy

71% mined in D.R.Congo; 20% recycled
Australia - 10%
Thailand - 5%
Brazil - 5%
Major explorations. High global demand - still met.
Major international aggression, theft, and war.
Plunder of gems and minerals by militia and 125 companies.
Coltan smuggled through Eastern Europe ⇒ Russia.
**Coltan - Social and Political Issues**

“Resource Curse” = Countries rich in resources have worse economic development.

Children used in the extraction; paid 1-2 US$/day.

Corruption and exploitation $\Rightarrow$ Political instability $\Rightarrow$ paid militia, civil war.

- 90% of young men - Leave farms for mining.
- 30% of youth are illiterate.
- 60% do not have potable water.
- 30% - undernourished.
- 1 Million refugees.

Eastern Congo invasion from Uganda, Rwanda and Burundi, stealing and selling coltan on black market.
The World Looked on and Did Nothing
WHY?

D.R. Congo – “Conflict diamonds” and “Blood diamonds”
Stolen by rebels and sold on the black market
for own profit.

D.R. Congo – “Resource Curse” – Coltan
Stolen by insurgent armies and sold to pay
mercenaries.

What did United Nations do?
WHY ARE THE RARE EARTH ELEMENTS SO EXPENSIVE?
RARE EARTH ELEMENTS

- Cerium (Ce)
- Dysprosium (Dy)
- Erbium (Er)
- Europium (Eu)
- Gadolinium (Gd)
- Holmium (Ho)
- Lanthanum (La)
- Lutetium (Lu)
- Neodymium (Nd)

- Praseodymium (Pr)
- Promethium (Pm)
- Samarium (Sm)
- Scandium (Sc)
- Terbium (Tb)
- Thulium (Tm)
- Ytterbium (Yb)
- Yttrium (Y)
Rare Earth Elements

1787-1901 - Discovered in the soil of Ytterby, Sweden
17 elements found in the earth as oxides
Earth crust - 68 ppm (like Cu)
Pacific Ocean seabed mud (?)
Isolation is difficult. Using difference in solubility and other modern techniques.

Used in high-tech. Reserves are dwindling.
Environment concerns: Radioactive slurry, toxic acids in the refining process.
Scandium - Light aluminum-scandium alloys for aerospace, additive in metal-halide lamps, radioactive tracing agents.

Yttrium - Yttrium-aluminum garnet laser (YAG), TV, microwave filters, energy-efficient light bulbs, additive to steel.

Lanthanum - High refractive glass, hydrogen storage, camera lenses, catalyst for oil refineries.

Cerium - Oxidizing agent, catalyst for self-cleaning ovens and for oil refineries.

Praseodymium - Magnets, lasers, carbon arc lighting.
Rare Earth Elements (2)

Neodymium - Magnets, lasers, didymium glass, ceramic capacitors.

Promethium - Nuclear batteries, luminous paint.

Samarium - Magnets, lasers, neutron capture.

Europium - Lasers, mercury-vapor lamps, fluorescent lamps, NMR.

Gadolinium - Lasers, X-ray tubes, computer memory, MRI contrast agent, NMR, steel additive.

Terbium - Lasers, magnets, fluorescent lamps.

Dysprosium - Magnets, lasers.
Rare Earth Elements (3)

**Holmium** - Lasers, magnets, optical spectrophotometers.

**Erbium** - Infrared lasers, vanadium steel, fiber-optic technology.

**Thulium** - Lasers, portable X-ray machines, metal-halide lamps.

**Ytterbium** - Infrared lasers, stainless steel, nuclear medicine.

**Lutetium** - Positron emission tomography (PET scan), high-refractive-index glass.
RARE EARTH ELEMENTS

1950s - S. Africa; 1950 - 1965 - India, Brazil;
1965 - 1985 - Mountain Pass, CA; 1985 - China starts exploration
Rare Earth Elements Economics and China

China - 90% of world production and exporter.
Since 2009 China gradually reduced the export quotas.
China forced small independent miners to merge into state-owned corporations.
2012 - USA, EU, and Japan confronted China at WTO.
2014 - WTO: **China had broken free trade agreements.**
2015 - China lifted all quotas.
Rare Earth Elements
Geo-politics

China: Reasons for reducing quotas:
• Depletion of resource.
• Environmental concerns.

USA: Dysprosium import “most critical”
• World production of REE = 132,000 metric tons.
• China production of REE = 129,000 metric tons.

Solution: 1. New sources
2. Changing production policy

USGS - REE in So. Afghanistan’s Helmand province
1.3 Mil. tons - US$7.4 Billion
Rare Earth Elements
World Economics

Searches for alternative sources:
Canada, Australia, Vietnam, Greenland -

**New sources of REE**
North Korea = 2nd largest reserve. Selling to China.

**Recycling** started in Japan, France, Malaysia

**Pricing:**
- Not exchange-traded
- Not sold in pure form
- Price dictated by demand
The World Looked on and Did Nothing. **WHY?**

D.R. Congo - “Conflict diamonds” and “Blood diamonds”
Stolen by rebels and sold on the black market for own profit.

D.R. Congo - Coltan = **“Resource Curse”** - Stolen by insurgent armies and sold to mercenaries.

China - Instituted quotas for the Rare Earth Elements
→ Limiting progress of other countries

**What did United Nations do? Nothing**

"The only thing necessary for the triumph of evil is for good men to do nothing"