

## Essential Question Preview

### How does studying economics give us more insight into a country or region?

Have the students consider the Essential Question and capture their initial responses.

## Explore the Essential Question

- Tell students that economics is defined as the study of how people try to meet their needs and wants by making choices. The way that people do this varies in countries around the world.
- Explain that countries are increasingly linked to each other economically. Ask students why they think some people call our world a “global village.”

Encourage students to keep the Essential Question in mind as they work through the module. Help students plan inquiries and develop their own supporting questions such as:

*How do businesses decide what goods and services to produce and sell?*

*Why do countries trade with one another? What products do you use each day that were produced overseas?*

You may want to assign students to write a short essay in response to the Essential Question when they complete the module. Encourage student to use their notes and responses to inform their essays.

## ► Explore the Online Video

### ANALYZE VIDEOS

#### Teens and Financial Literacy

Invite students to watch the video to learn about economics and finances.

**Economics** What is financial literacy? knowing how to manage money



Module 5  
**Economics**

Essential Question  
How does studying economics give us more insight into a country or region?

This map collage is made from the currency, or money, that is used around the world.

In this module, you will learn how economics plays an important role in the way people interact throughout the world.

**What You Will Learn**

<b>Lesson 1: Economic Basics</b> ..... The Big Idea Economic systems help people buy the goods and services they need.	159
<b>Lesson 2: Economic Systems</b> ..... The Big Idea Geographers understand world economies by studying factors of production, economic activities, and levels of development.	164
<b>Lesson 3: Money and Banking</b> ..... The Big Idea People and businesses sell goods and services to earn income, which they can then use to build wealth.	173
<b>Lesson 4: Living in a Global Economy</b> ..... The Big Idea Fast, easy global connections have made cultural exchange, trade, and a cooperative world community possible.	179

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### Lesson 1 Big Idea

Economic systems help people buy the goods and services they need.

#### Main Ideas

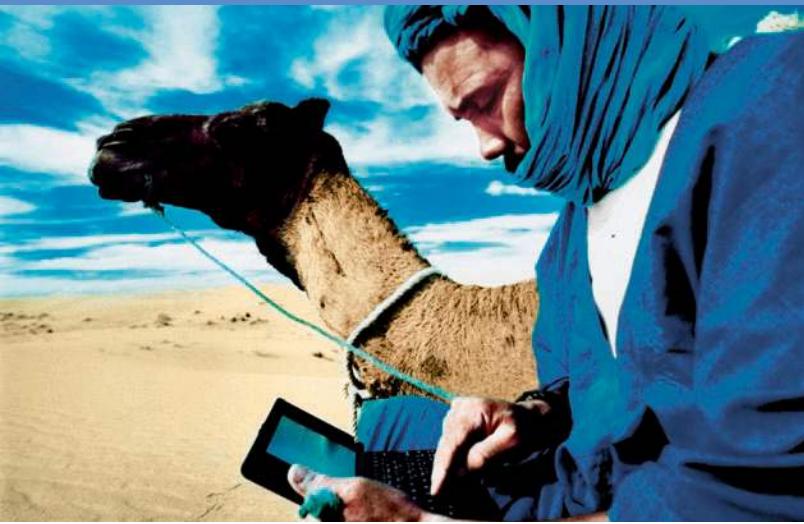
- The main problem in economics is scarcity.
- Scarcity shapes how societies use factors of production.

### Lesson 2 Big Idea

Geographers understand world economies by studying factors of production, economic activities, and levels of development.

#### Main Ideas

- There are three basic types of economic systems.
- Contemporary societies have mixed economies.
- The United States benefits from a free enterprise system.
- Governments provide public goods.
- Geographers categorize countries based on levels of economic development and range of economic activities.



**Global Connections** Technology allows people in remote places around the world to communicate.



**Global Trade** Around the world, major banking and financial centers such as Wall Street use common currencies for international trade.

**Economics** People buy and sell goods in marketplaces around the world.



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## Explore the Images

**World Currencies** Many countries, such as the United States, have their own currency. Other countries use a shared currency. For example, the euro is a shared currency used in the European Union by nations such as France, Germany, and Italy.

**Global Connections** Ask students about what kinds of technology allow people to communicate and interact with one another. Ask how this has changed over time.

**Economics** People buy and sell goods in marketplaces around the world. The photo shows a vendor selling homemade pickles in the Kampot, Cambodia, central market.

**Global Trade** Ask students to guess what the advantages to a shared currency might be. Ask them about the disadvantages of a shared currency.

### Analyze Visuals

Have students examine the images and answer the following question:

Based on these images, what are some of the ways that economics affects your life? *Answers will vary but should reflect students' understanding of the various ways that economics affects their lives.*

## ► Online Module Flip Cards

Use the flip cards as a whole class activity or in student pairs to preview the module's Key Terms and Places. Students can guess the meaning of each word, then review its definition, or do the reverse, using the flip card's toggle button to switch from "Term" to "Definition" mode. Students can also use the flip cards at the end of the module as a review tool before taking the Module Assessment.

## ► Online Matching Activity

Students can use this activity to review some of the concepts discussed in this module. To complete, have students drag each label to the correct location on the composite image.



## Lesson 3 Big Idea

People and businesses sell goods and services to earn income, which they can then use to build wealth.

### Main Ideas

- Money is used as a medium of exchange, a store of value, and a unit of account.
- Banks are places to store money, earn money, and borrow money.
- People can use their earnings to build wealth.

## Lesson 4 Big Idea

Fast, easy global connections have made cultural exchange, trade, and a cooperative world community possible.

### Main Ideas

- Globalization links the world's countries together through culture and trade.
- The world community works together to solve global conflicts and crises.
- Multinational corporations make global trade easier and allow countries to become more interdependent.

# Reading Social Studies

## Reading Social Studies

### READING FOCUS

#### Draw Conclusions

Ask students to bring in three family photos (e.g., from a family photo album, printouts of digital pictures, etc.). Have students find a partner with whom to exchange the photos. Students should not tell their partners anything about the photos. Ask students to examine the photos and draw conclusions based on what they see. They might comment on the action, the relationships of the people in the photos, or the setting in which the event takes place. Students should check with their partners to see if their conclusions are accurate.

#### You Try It!

Students' answers will vary but should draw a conclusion based on their participation in some aspect of popular culture.

## Draw Conclusions

### READING FOCUS

You have probably heard the phrase, "Put two and two together." When people say that, they don't mean " $2 + 2 = 4$ ." They mean, "put the information together." When you put together information you already know with information you have read, you can draw a conclusion. Reach a conclusion by reading the passage carefully. Then think about what you already know about the topic. Put the two together to draw a conclusion.

Read the following text, then add what you know to reach a conclusion.

Today, federal, state, and local governments provide expensive or important services to large groups of people who might otherwise have to do without the service. These government goods and services that the public consumes are called public goods. The government pays for public goods with the taxes they collect.

For example, by establishing schools, government makes it possible for all children to receive a good education. Governments also provide police to protect lives and property, and fire departments to protect homes and businesses.

**Information gathered from the passage:**  
These government goods and services that the public consumes are called public goods. The government pays for public goods with the taxes they collect.

**What you already know:**  
Our school band director said we might get new instruments and uniforms next year if the parents approve it.

**Put the two together to reach your conclusion:**  
Our parents will probably need to pay more school taxes in order to pay for the new instruments and uniforms.

#### YOU TRY IT!

Read the following paragraph. Next, think about something you like to do that might be part of our popular culture. Then, put the two together and draw a conclusion.

People around the world are linked through popular culture. Popular culture refers to culture traits that are well known and widely accepted by the general population. Food, sports, music, and movies are all examples of our popular culture. The United States has great influence on global popular culture. At the same time, the United States is influenced by global culture.

**As you read this module,** look for new facts. Then, add them to what you already know to draw your own conclusions.



# Economic Basics

- Factors of Production

Visuals

LESSON 1

## Big Idea

Economic systems help people buy the goods and services they need.

- Graph: Supply and Demand

Maps,  
Graphs, and  
Charts

- Teen Chef
- Natural Resources Are Economic Resources

Extend  
and Enrich

Sources

- Document-Based Investigation:  
Availability of Resources

## Assessment

- Key Terms Review
- Reading Check
- Graphic Organizer Activity
- Lesson Assessment

## ► Online Lesson 1 Enrichment Activities

### Teen Chef

**Video** Students watch a video about 16-year-old Flynn McGarry opening his own New York restaurant, then make a poster of a business they might create themselves.

#### Watch Channel One News



### Natural Resources Are Economic Resources

**Article** Students read about the connection of natural resources to the economies of selected nations, then create a poster or digital display of these resources.

# Economic Basics

**Big Idea**

Economic systems help people buy the goods and services they need.

**Main Ideas**

- The main problem in economics is scarcity.
- Scarcity shapes how societies use factors of production.

**Key Terms and Places**

economy  
scarcity  
opportunity cost  
profit  
factors of production  
income  
contraction  
expansion  
economic interdependence

**If YOU lived there...**

You pour cereal into a bowl for breakfast and discover that you have no milk. How can you get more? Do you have to go to the farm and milk the cows? Of course not. With a quick trip to the store, you can buy a carton of milk.

**How are you able to buy what you want or need?****Key Concepts**

Every day, people all over the world purchase goods and services from other people. Goods are products that people consume or use, such as food or tools. Services are things that people do. For example, a school nurse provides a service by helping students who are sick or hurt. How people get goods and services is determined by global, national, and local economies. An **economy** is a system of producing, selling, and buying goods and services. The study of economics is called economics.

**Scarcity and Choice** Economists, who study economics, say that we all face the same basic problem. This problem is scarcity. **Scarcity** is when there are not enough resources to meet people's wants. People's wants are unlimited, but the resources available to satisfy their wants are limited.

When a resource becomes scarce, it is harder for producers to get. So, products made with that resource become more difficult for consumers to find. As a result, the prices for these items usually rise.

Scarcity forces us to make choices. We must decide what things we need and want. Choices always come with costs. For every choice you make, you give up something else. In economics, this choice is called a tradeoff. The value of the thing you give up in the tradeoff is called an **opportunity cost**. For example, suppose you get some money for your birthday. You want to use it to buy a new video game, but your friends invite you to play laser tag. You don't have enough money for both. If you choose the video game, the value of the laser tag games is the opportunity cost. It's the value of the next best choice you gave up in order to get what you wanted more.

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**Teach the Big Idea****1. Whole Class Open/Introduction****If YOU lived there ...****How are you able to buy what you want or need?**

Review the scenario with students and lead a class discussion around responses to the question.

Remind students that all responses are valid as long as they are supported with valid reasoning. You may wish to review the following points.

**Consider the WAYS you might obtain money:**

- Part-time job
- Extra chores
- Allowance

**Consider the PLACES you might buy milk:**

- Convenience store
- Grocery store
- Dairy

**2. Direct Teach** Introduce the Big Idea: *Economic systems help people buy the goods and services they need.* Share a story about a time when you did not buy something you wanted so you could use or save the money to buy something else later. Explain that what you gave up is called an opportunity cost. Ask students if any of them have given up something to get something else, or saved for something they wanted more.**3. Practice/Assess/Inquire** Write three headings on the board: Library Trip, Computer Time, and Homework-Free Week. Have students rank these activities from highest (3 points) to lowest (1 point). Record students' votes on the board. Total the votes, then ask what the class's opportunity cost is (*the choice with the second-most votes*).**4. Explore** Now tell students their aunt gave them each \$20.00 as a gift. They want to spend it on either a large box of candy, a new T-shirt, or a basketball. (Each costs \$20.) Have students rank their choices from 1 to 3. Call on a few students and have them identify their first choice and their opportunity cost (*whatever the second choice was*).**5. Whole Group Close/Reflect** Ask students to consider the following scenario: *Suppose a classmate had the same first choice as you. Does this mean his or her opportunity cost was the same as yours? Why or why not?* Students should write a short response to the question.

\*Alternative Assessment Handbook, Rubric 11: Discussions

**Teach the Main Idea**

The main problem in economics is scarcity.

**Contrast** What is the difference between goods and services? *Goods are products that people consume or use; services are things that people do.*

**Analyze** Martina has enough money to buy either a pair of shoes, a skirt, or a purse. She decides she doesn't need a purse after all. She likes the skirt and almost buys it, but finally chooses the shoes. What is her opportunity cost? *the skirt, because it is her next-best choice*

**Predict** Suppose the price of fidget spinners starts to rise. According to the law of supply and demand, how will consumers react? *They will buy fewer fidget spinners.*

**Define** What is profit? *Profit is the money an individual or business has left after paying expenses.*

## ONLINE DOCUMENT-BASED INVESTIGATION

**Economics**

Availability of Resources is the first of four document-based investigations that students will analyze in Economics. Students use the interactive slider to show differences between agricultural resources in different areas.

## ONLINE INTERACTIVE GRAPHS

### Supply and Demand

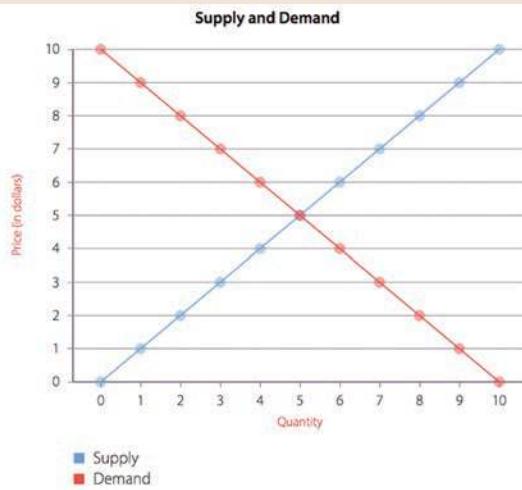
Have students explore the graph and answer the associated question.

**Interpret Graphs** Based on this graph, what happens to the demand for a product when the price increases? *The demand decreases.*

In print edition, see visual of same title.

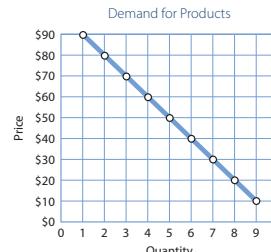
**Interpret Graphs** Based on this graph, what happens to the demand for a product when the price of the product increases? *The demand goes down.*

If the price of the product changes from \$50 to \$70, what is likely to happen to the supply? *It will go up.*

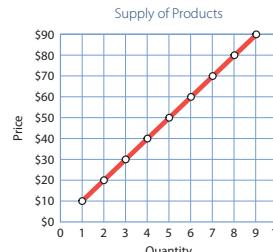


### Supply and Demand

#### Interpret Graphs



Based on this graph, what happens to the demand for a product when the price of the product increases?



If the price of the product changes from \$50 to \$70, what is likely to happen to the supply?

**Supply and Demand** Whenever you buy something, you make a choice about the product and the price. Your choice and those of other consumers help determine what sellers will produce and what they will charge for it. The price of a good or service is usually determined by the laws of supply and demand. **Supply** is the amount of a good or service that businesses are willing and able to produce. **Demand** is the desire to have a good or service and the number of people who are ready to buy it at a certain price.

The *law of supply* states that businesses will produce more of a good or service when they can charge a higher price. The *law of demand* states that consumers will want to buy more of a good or service when its price is low. As the price of a good or service rises, consumers will buy less of it.

**Incentives** Incentives, or benefits, also influence economic activity.

**Profit** is a major incentive for both individuals and businesses. Profit is the money an individual or business has left after paying expenses. For example, suppose you help your school sell boxes of popcorn to raise money for your school band. The band's profit is the amount of money that your customers pay, minus the cost that your school actually paid for the popcorn. The profit motive, or the desire to make a profit, is essential in many economies. Without a profit incentive, many people would not start businesses. Then, the consumers in that economy would have no way to get goods and services.

Another type of consumer incentive is saving money. Businesses often offer coupons or advertisements to buy a good or service at a lower price. If enough people use the coupons, the business makes a profit. That's because the business will sell more of the lower-priced or discounted item than other businesses who offer the same thing at a higher price. A third type of incentive is receiving something extra. Has your family ever shopped at a "buy one, get one free" sale? When people buy a particular good or service during these kinds of sales, they also receive a free good or service.

**Reading Check**  
Summarize  
What is the connection between scarcity and tradeoffs?

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### READING CHECK

**Summarize** What is the connection between scarcity and tradeoffs? *Because resources are limited, scarcity forces people to make tradeoffs.*

## ONLINE GRAPHIC ORGANIZER

### Economic Basics

As students read the lesson, have them use the graphic organizer to take notes. Students can review their graphic organizer notes at the end of the lesson to answer the following question:

**Predict** How would a scarcity of workers affect a country's economy? *Possible answer: Entrepreneurs will need to pay more for workers; people might travel from another country to find jobs there.*

## ONLINE LESSON FLIP CARDS

### Review Key Terms and Places

Students can use the flip cards in the Lesson Review at any time to review the lesson's Key Terms and Places: **economy**, **scarcity**, **opportunity cost**, **profit**, **factors of production**, **contraction**, **expansion**, **economic interdependence**.

## Scarcity and Resource Use

Every day, the interaction between consumers and producers for goods and services happens at the local, state, national, and international levels. In the winter, your family might heat your home with oil that comes from Saudi Arabia or Texas, is refined in Louisiana, is shipped by train to Pittsburgh, and finally is delivered to your home's furnace. How do you think businesses in these diverse places decide what to make or sell?

**Factors of Production** Scarcity forces businesses to choose which goods and services to provide and how much to charge for them. Individuals, businesses, and societies must answer three basic questions: What will be produced? How will it be produced? For whom will it be produced? To understand how societies answer these questions, economists study **factors of production**. These four main factors are the basic economic resources needed to produce goods and services. They include natural resources, capital, labor, and entrepreneurs. These factors have one thing in common—their supply is limited.

The first factor of production is natural resources, such as oceans, mines, and forests, that provide the raw materials needed to produce goods. Another important natural resource for businesses is land. Every business needs a place to locate. Companies that provide services need to be located near their potential customers. Companies that make goods choose areas with transportation so they can ship their goods.

### Factors of Production

#### Natural Resources



#### Capital



#### Labor



#### Entrepreneurs



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## STRUGGLING READERS

### Four Factors of Production

1. Review the information in the text about the four factors of production with students.
2. Have students create a four-column chart with the following headings: *natural resources, capital, labor, and entrepreneurs*. Then have students list the examples used in the text and add several more examples of their own, including names of well-known entrepreneurs.

3. Have students create an illustration for each item listed on their chart.
4. Invite students to share their charts with the class, explaining their new entries and how they relate to each factor of production.

\*Alternative Assessment Handbook, Rubric 7: Charts

## Teach the Main Idea

Scarcity shapes how societies use factors of production.

**Define** What are the factors of production? *the basic resources that make up an economy: land and natural resources, labor, capital, and entrepreneurs.*

**Contrast** What is the difference between economic contraction and economic expansion? *Contraction is a slowdown of economic activity; expansion is an increase in the level of economic activity.*

**Evaluate** Which of the factors of production is most important? *Answers will vary but the discussion should conclude that all four factors are important and necessary.*

**Define** What is economic interdependence?

*Economic interdependence occurs when producers in one nation depend on others to provide goods and services that they do not produce.*

## More About . . .

**The Fifth Factor of Production?** Some economists have begun to suggest that there is a fifth factor of production: knowledge, or the combined talents and skills of both the entrepreneur and the workforce. Knowledge is distinct from the physical labor in that it is expandable and self-generating (a worker can increase her knowledge base, for example) and it is transportable and sharable. The transfer of knowledge, however, does not prevent its use by the original holder. Knowledge as a fifth factor of production is increasingly being recognized as an essential component of economic growth.

## ONLINE INTERACTIVE VISUALS

### Carousel: Factors of Production

Have students navigate through the carousel and note the different factors of production. You may wish to use the associated question as a discussion prompt.

**Analyze Visuals** How do entrepreneurs depend on the other three factors of production? *Without workers, capital, and resources, entrepreneurs cannot make the products they sell.*

A screenshot of an interactive visual titled "Factors of Production". It shows a large dump truck unloading material. The text "Natural Resources" is displayed next to the image, with the subtext "Natural resources provide the raw materials needed to make goods." Below the image are navigation arrows and a progress bar.

For additional instruction, go to end of lesson.



## ONLINE DOCUMENT-BASED INVESTIGATION

### Availability of Resources

Photos of farming in Rwanda and farming in the United States illustrate the economic differences between the two places. Have students compare and explore the images using the interactive slider.

#### Analyze Sources

How might increased agricultural capital affect Rwanda's economy?  
*Possible answer: fewer workers would be needed in the fields; more people might move to urban areas looking for non-farm related work.*

Rwanda's agriculture relies heavily on a large number of workers.



The second factor is capital. Businesses need capital. Capital is the goods used to make other goods and services. Capital includes tools, trucks, machines, factories, and office equipment. These items are often called capital goods to distinguish them from financial capital. Financial capital is the money a business uses to buy the tools and equipment, or capital goods that they use in production.

The third factor of production is labor. Labor is the human time, effort, skills, and talent needed to produce goods and services. Workers sell their labor in exchange for payment, called **income**. Many workers earn a form of income called hourly wages. Other workers, such as those who manage companies or have a great deal of responsibility, are paid salaries. Salaries are fixed earnings rather than hourly wages. A salaried person is paid the same amount no matter how many hours he or she works.

Entrepreneurs are the fourth factor of production. An entrepreneur is a person who organizes, manages, and assumes the risk of a business. Entrepreneurs often come up with an idea for a new product or a new way of doing business. They use their own labor or capital and take the risks of failure. In return for the willingness to take risks, an entrepreneur hopes to make a substantial profit.

If a factor of production is in short supply, problems can arise. Suppose a farmer uses skills (labor) and tools (capital) to grow strawberries on a farm (natural resource), and he or she sells them at a market (role of entrepreneur). If a drought destroys farmland, the farmer might produce fewer, if any, crops. The farmer's business would be hurt. Strawberries would be scarce. Consumers would have to buy them at a higher price. This situation would cause what is called a **contraction**, or reduction of the strawberry farmer's business.

On the other hand, if a factor in production is increased, benefits can occur. How might this scenario affect the same farmer? Suppose rain is plentiful, and the farmer has a record crop of strawberries. Although the strawberry prices might be lower, the profits from the greater crop yields could allow the **expansion** of the farmer's business. The farmer could afford to hire more workers, buy more farm equipment, or buy more land to farm.

### Availability of Resources



The availability of resources influences economic activity. Rwanda's agricultural economy relies heavily on a large number of workers.



By contrast, the availability of capital resources, such as combine harvesters, helps a small number of U.S. farmers tend large fields.

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## COLLABORATIVE LEARNING

### Using the Factors of Production

- Ask pairs of students to think of a new product or service that they would like to have in their lives. It can be realistic (a computer that offers homework help) or fanciful (a food that tastes like French fries but has the nutrition of broccoli).
- Have each pair identify the specific factors of production needed to manufacture this product or provide this service.

- Have pairs create a visual showing how the factors of production would be used.
- Give each pair a few minutes to present their new product or service and the factors of production needed to create it. In their presentations, pairs should note the relative availability or scarcity of each resource. Allow time for other students to ask questions about the new product.

\*Alternative Assessment Handbook,  
Rubric 3: Artwork

**Resources and Economies** The factors of production are not distributed equally. That's why countries decide what to produce based on the resources they have. This situation can create specialization. Specialization occurs when individuals or businesses produce a narrow range of products. For example, South Africa is rich in gold, diamonds, and mineral resources. Developing a mining industry has helped make South Africa one of the richest countries in Africa.

The availability of resources also shapes how a society produces goods and services. For example, Rwanda's economy is based on agriculture. Rwandans are rich in agricultural labor. In fact, nearly 80 percent of Rwandans work in agriculture. Farmers grow crops on small plots of land near their homes. In terms of capital, they have simple farming tools but few tractors and roads. By contrast, only about 2 percent of Americans work in agriculture. U.S. farmers rely heavily on capital. Using machinery and technology, they produce surplus crops on large farms.

**Scarcity and Trade** When a resource is relatively scarce in one place, people may trade with others to get that resource. This happens within a society as well as between nations. In this way, scarcity contributes to **economic interdependence**. Economic interdependence happens when producers in one nation depend on others to provide goods and services that they don't produce. It is a driving force behind international trade.

For instance, Japan manufactures cars, which require a great deal of steel. However, Japan lacks the iron ore needed to make steel. To obtain iron ore, Japan has formed international trading relationships with Australia and Brazil.

**Summary and Preview** In this lesson you learned how economic systems help people buy the goods and services they need. In the next lesson, you will learn how geographers categorize various world economies and their peoples.

**Reading Check**  
Analyze Effects  
How does availability of the factors of production affect a society's economy?

#### Lesson 1 Assessment

##### Review Ideas, Terms, and Places

1. a. **Compare** How do the laws of supply and demand work together?  
b. **Summarize** In economics, what is scarcity?
2. a. **Describe** What are the factors of production?  
b. **Predict** What problems might a homebuilder face if one of the factors of production, such as land or labor, was in short supply?

##### Critical Thinking

3. **Compare** You are supposed to babysit Friday night, but your friend wants you to sleep over and watch a new movie. List the opportunity cost of each tradeoff, then explain what you think is the best action and why.

4. **Identify Problems** Give an example of how the relative scarcity of resources might impact economic interdependence within a country.

5. **Synthesize** Draw a table like the one below. Then list some of the factors of production that were needed to produce a recent meal you had.

Natural Resources	Labor	Capital	Entrepreneurship

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#### ADVANCED/GIFTED

##### Scarcity and Trade

1. Assign students to conduct outside research on international trade agreements, such as NAFTA. In their research students should look for resources and products that are exported and imported from one trading partner to another.
2. Have students select two or three important exports and imports. Then have students create a map showing the country that exports the goods and the country that imports them.

3. Have students share their maps with the class. In the presentation, students should explain the role scarcity plays in the trading relationship.

\*Alternative Assessment Handbook, Rubrics 20: Map Creation; and 30: Research

#### READING CHECK

**Analyze Effects** How does availability of the factors of production affect a society's economy?  
*It determines which goods and services a society is able to produce, and how it can produce them.*

## Print Assessment

### Review Ideas, Terms, and Places

1. a. **Compare** How do the laws of supply and demand work together? *They balance each other. As the price of a good or service rises, consumers will buy less of it.*  
b. **Summarize** In economics, what is scarcity? *when there are not enough resources to meet people's wants*
2. a. **Describe** What are the factors of production? *resources for making goods and services, including natural resources, labor, capital, and entrepreneurship*  
b. **Predict** What problems might a homebuilder face if one of the factors of production, such as land or labor, was in short supply? *difficulties in meeting construction deadlines; loss of potential jobs and income*

### Critical Thinking

3. **Compare** You are supposed to babysit Friday night, but your friend wants you to sleep over and watch a new movie. List the opportunity cost of each tradeoff, then explain what you think is the best action and why. *Students' answers will vary.*
4. **Identify Problems** Give an example of how the relative scarcity of resources might impact economic interdependence within a country. *Areas of a country rely on each other for the goods and services each produces; examples will vary.*
5. **Synthesize** Draw a table. List some of the factors of production that were needed to produce your lunch today. *Examples will vary but should include at least one example of each factor of production.*

## ► Online Assessment

1. Which statement best characterizes opportunity cost?

- the amount of a good that businesses are able to produce
- the amount of money left over after expenses have been paid
- the number of people who are ready to buy a product at a certain price
- the value of a product that you give up in a tradeoff with another product

**Alternate Question** Select the answer choice from the drop-down list to complete the sentence correctly.

The value of a product that you give up in a tradeoff with another product is known as the **opportunity cost** ▾.

2. How are natural resources, labor, capital, and entrepreneurs related?

- Their supply is limited.
- Their demand is limited.
- Their supply is unlimited.
- Their demand is unlimited.

**Alternate Question** Select the answer choice from the drop-down list to complete the sentence correctly.

The four main factors of production are natural resources, labor, **capital** ▾, and entrepreneurs.

3. **Compare and Contrast** How are the law of supply and the law of demand related?

*The law of supply explains that a business will produce more of a product when it can charge a higher price. The law of demand explains that consumers will buy more of a product if the price is low. Therefore, when a business charges more for a product, consumers can be expected to buy fewer products, and if a business lowers its price, consumers will buy more of it.*

4. **Draw Conclusions** Why are entrepreneurs important to many economies?

*Entrepreneurs start private businesses, decide what to produce, invest in capital products, and hire workers. They assume the financial risk if the business fails and are rewarded if the business shows a profit. Without entrepreneurs, businesses would not start and become a success.*

## ADDITIONAL INSTRUCTIONAL MATERIALS

*continued from page 160*

### SPECIAL NEEDS STUDENTS

#### Needs and Wants

1. Remind students that they make economic choices every day, perhaps about how to spend their time or money. Point out that among their economic choices is whether to choose their wants or needs. Explain to students that needs are the things that we must have to live, including food and shelter.
2. Have students make a chart showing common objects and daily activities that are important to them. In the second column of the chart, have students indicate whether the object or activity is a need or a want. For example, some students may list a phone as a want; for others it may be a need. Some students might list having time to travel as a want, while having time to go to the movies with a friend as a need.
3. Invite volunteers to share and explain their list of needs and wants with the class. Discuss whether each item is a true need or if it is a want.

\*Alternative Assessment Handbook, Rubric 7: Charts

*continued from page 161*

#### More About . . .

**Venture Capital** In economics, there are other kinds of capital besides the physical, or real capital. One of these other kinds of capital is called *venture capital*. These are financial resources invested in businesses considered too risky for mainstream investing. Venture capitalists—people who invest capital in business ventures—expect that out of every ten companies in which they invest, two will be failures, six will be marginally successful, and two will make up for any losses. The phenomenal growth of dot-com companies in the 1990s led to an expansion in venture capitalism. As a result, venture capitalism is often associated with technology enterprises.

**Exports and Imports** The subject of trade invariably brings up the concept of imports and exports. Explain to students that to *import* means “to bring goods or services into a country from abroad for sale.” To *export* means “to send goods or services to another country for sale.” Both words have the same Latin root: *portare* (“to carry”). Their different prefixes (*im-*, meaning “in”; *ex-*, meaning “out”) give the words their different meanings.



# Economic Systems

- Types of Economic Systems
- Economic Activity

Visuals

Videos

LESSON 2

## Big Idea

Geographers understand world economies by studying factors of production, economic activities, and levels of development.

Maps,  
Graphs, and  
Charts

- Table: Compare Economic Systems
- Chart: A Developed and a Developing Country

- Focus on Economics: Young Entrepreneurs
- Game: Welcome, Time Traveler!
- How Do We Measure Economic Success?
- Urban and Rural Economic Systems

Extend  
and Enrich

Sources

- Document-Based Investigation: Female Literacy

Assessment

- Key Terms Review
- Reading Check
- Graphic Organizer Activity
- Lesson Assessment

## Online Lesson 2 Enrichment Activities

### **How Do We Measure Economic Success?**

**Article** Students read an article about the factors countries use to measure economic success, then create a table that compares these factors in two countries.

### **Urban and Rural Economic Systems**

**Article** Students read an article about the differences between rural and urban economies, then create a poster showing how a particular rural or urban economy affects life in the area.

# Economic Systems

## Teach the Big Idea

### 1. Whole Class Open/Introduction

If **YOU** lived there . . .

**What choice will you make?**

Review the scenario with students and lead a class discussion around responses to the question. Remind students that all responses are valid as long as they are supported with valid reasoning. You may wish to review the following points.

#### Consider reasons to grow FOOD:

- You will be able to feed your family.
- You will not suffer economic loss if demand for cassava falls.

#### Consider reasons to grow CASSAVA:

- You have the potential to earn a large profit.
- You will be able to buy non-food items your family might need.

**2. Direct Teach** Introduce the Big Idea: *Geographers understand world economies by studying factors of production, economic activities, and levels of development.* Ask students who decides what goods and services an economy produces: business owners? Consumers? The government? Explain that economic systems organize the production and distribution of goods and services, and that different systems answer the questions in different ways.

**3. Practice/Assess/Inquire** Write five headings on the board: *Main Types of Economic Systems; Modern Economies; The Free-Enterprise System; Government and Public Goods; Economic Activities and Development.* Call on students to supply examples of how each topic relates to their daily lives.

**4. Explore (Collaborative Exploration)** Then ask students to imagine that they live in a developing country. Ask them to speculate on how the same topics would relate to their daily lives there. Write their responses on the board.

**5. Whole Group Close/Reflect** Ask each student to choose a job they may want to do someday. On a sheet of paper, have them list the job, classify it according to the types of jobs identified in the lesson (e.g., primary, secondary, manufacturing, etc.) and write briefly on how the same job might be different in a developing country.

\*Alternative Assessment Handbook, Rubric 11: Discussions

#### Big Idea

Geographers understand world economies by studying factors of production, economic activities, and levels of development.

#### Main Ideas

- There are three basic types of economic systems.
- Contemporary societies have mixed economies.
- The United States benefits from a free enterprise system.
- Governments provide public goods.
- Geographers categorize countries based on levels of economic development and range of economic activities.

#### Key Terms and Places

traditional economy  
command economy  
market economy  
mixed economies  
free enterprise system  
public goods  
agricultural industries  
manufacturing industries  
wholesale industries  
retail industries  
service industries  
gross domestic product (GDP)  
developed countries  
developing countries

#### Reading Check

Summarize  
What are the three basic types of economic systems?

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If **YOU** lived there . . .

You farm a small plot of land in southern India, and you have a decision to make. You can grow food for your family, or you can grow cassava, a cash crop that can be sold for profit if demand for the crop remains high.

**What choice will you make?**

### Main Types of Economic Systems

An economic system is the way in which a society organizes the production and distribution of goods and services. Economic systems can be divided into three types: traditional, command, and market.

In a **traditional economy**, the work that people do is based on long-established customs. People in these groups hunt, fish, and tend animals and crops. Often, the focus of work is survival. The good of the group is more important than individual desires. The group's leaders decide what to produce and which group members will provide services. Typically, the men hunt and fish and the women tend to crops, animals, and children. In earlier times, all societies had traditional economies.

Today, traditional economies are rare and under pressure to change. Still, you can find this system in many places. For example, the Aymara people of the South American Andes and the Inuit people in northern Canada have traditional economies.

In a **command economy**, the government controls the economy. The government decides what goods and services to produce, how and how much to produce, and how goods and services are distributed. It also sets wages and prices. Some economists refer to command economies as centrally planned economies.

The most common economic system used today is a **market economy**. A market economy is based on private ownership, free trade, and competition. Individuals and businesses are free to buy and sell what they wish, with little interference from government. Prices are determined by the supply of and demand for goods.

### ONLINE DOCUMENT-BASED INVESTIGATION

#### Economics

Female Literacy is the second of four document-based investigations that students will analyze in the Economics module. While literacy rates are improving around the world, female literacy still lags behind male literacy. Students will learn how low literacy rates can affect the quality of life in a country.

## Teach the Main Idea

There are three basic types of economic systems.

**Define** What is an economic system? *the way that a society organizes how it will produce and distribute goods and services*

**Make Generalizations** Why do you think traditional economies are rare today?  
*possible answer—Making economic decisions based on customs does not effectively address the needs of large societies.*

**Evaluate** What problems might a command economy face? *possible answers—poor decisions on what and how much to produce, high prices for some goods, poor motivation for workers and business entrepreneurs*

For additional instruction, go to end of lesson.

### Types of Economic Systems



Traditional

The Inuit of Canada use fishing techniques passed down over many generations.



Command

Food was scarce and expensive in this store in the former Soviet Union, a command economy.



Market

Advertisements, like these billboards in New York City, are a common sight in a market economy.

## Modern Economies

Few, if any, pure economic systems exist today. Most countries have **mixed economies**, which combine elements of traditional, market, and command economic systems. The most common types of mixed economies are communist, capitalist, and socialist.

**Communist Economies** Modern economies tend to emphasize features of one system over others. For example, communist economies are closest to the command model. In a communist economy, the government owns all the factors of production. There is no private ownership of property or resources and little or no political freedom.

How do communist nations decide what, how, and for whom to produce? In countries such as North Korea and Cuba, the government collectivized, or took ownership of, the factors of production. Then government workers, called central planners, make long-term plans. They make all decisions about the production, price, and distribution of goods and services. They may even decide what types of work people are able to do.

**Capitalist Economies** By contrast, capitalist economies emphasize features of market systems. In capitalist economies, individuals and businesses own the factors of production. They play a major role in answering the basic economic questions, and no central government authority tells them what to do. Consumers buy goods and services that they like best. Their choices push producers to make better products at lower prices.

The economies of the United States, Canada, and Taiwan are capitalist. In these countries, government plays an important but limited role in the economy. For example, in the United States, government agencies enforce health and safety standards. These actions benefit U.S. workers and consumers but affect business planning in complicated ways. Regulations can increase the cost of running a business. On the other hand, the government spends money that it collects in taxes on services that support

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## Teach the Main Idea

Contemporary societies have mixed economies.

**Compare** How does socialism differ from capitalism? *Under socialism, the government controls some of the basic factors of production. Under capitalism, individuals and businesses own the factors of production.*

**Explain** What caused the failure of the Soviet Union economy and other communist economies?

*Weaknesses in the communist economic system, including limitations of centralized planning committees, and the massive suffering caused by large-scale shortages and brutal policies.*

**Predict** What do you think would happen if government did not play any role in a capitalist economy? *Possible answer: Businesses would be unregulated and might engage in unsafe and unhealthy practices that could endanger their workers.*

## More About . . .

**Government Regulation of Business** There are several theories concerning government regulation of business. According to the “public interest theory,” regulations protect consumers from fraudulent, inferior, and unsafe products and “fly-by-night” companies. Other theories broadly known as “public choice” theories put forward a different explanation. One suggests that government regulations actually benefit existing industries by making entry into the market by competitors more difficult. Another, called the “tollbooth” theory says that the main beneficiaries are politicians, who use them to “charge” businesses wanting access into the markets.

### ONLINE GRAPHIC ORGANIZER

#### Economic Systems

As students read the lesson, have them use the graphic organizer to take notes. Students can review their graphic organizer notes at the end of the lesson to answer the following question:

**Identify Problems** What are some challenges that a developing country might face in becoming a developed country? *Workers not educated enough for better jobs; government lacks funds to provide public goods such as education; lower level of technology means more workers need to work in primary industries.*

### ONLINE LESSON FLIP CARDS

#### Review Key Terms and Places

Students can use the flip cards in the Lesson Review at any time to review the lessons key terms and places: **traditional economy, command economy, market economy, mixed economies, free enterprise system, public goods, agricultural industries, manufacturing industries, wholesale industries, retail industries, service industries, gross domestic product (GDP), developed countries, developing countries.**

### ONLINE INTERACTIVE VISUALS

#### Carousel: Types of Economic Systems

Have students navigate through the carousel and note the kinds of activities associated with the different types of economic systems.

### READING CHECK

**Summarize** What are the three basic types of economic systems? *traditional, market, and command*



## ONLINE INTERACTIVE TABLE

### Compare Economic Systems

Have students explore the table to review the key features of communism, socialism, and free enterprise.

#### Economic Systems



COMMUNISM

SOCIALISM

FREE ENTERPRISE

Who owns resources?	▼
Who distributes resources?	▼
What role does government play?	▼

#### READING CHECK

**Compare** How are socialist economies similar to both communist and capitalist economies? *Just as governments in communist economies do, governments in socialist economies control at least some of the basic factors of production. Just as in capitalist economies, governments in socialist economies do not control some industries.*

economic development, such as education, roads, and social welfare programs. Businesses save money by not having to pay for these services themselves.

**Socialist Economies** The third type of economy falls between communism and capitalism. In socialist economies, the government controls some of the basic factors of production. In most cases, that control is limited to industries and services that are key to a nation's well-being, such as electrical utilities, communications networks, and health care. Other industries are privately controlled.

Today, many nations with elements of a socialist economy, such as Sweden and India, have democratic governments. Still, central planners make decisions about government-owned industries. They also make decisions about other sectors, such as health care, to ensure that everyone has access to services.

### Compare Economic Systems

	Communism	Socialism	Free Enterprise
Who owns resources?	Government	Government owns basic resources; the rest are privately owned	Individuals and businesses
Who distributes resources?	Government decides how resources are used	Government regulates basic resources; market allocates privately owned resources	Market allocates resources
What role does government play?	Government makes all economic decisions	Government makes decisions in the basic industries	Government has a limited role, acting mostly to ensure market forces are free to work

**Trends Since the Fall of Communism** The record of collective, or communist, non-free market economies is poor. From the 1940s until the 1990s, between one-quarter and one-third of the world's people lived under communist regimes. The former Soviet Union and several of its Eastern European neighbors, China and much of Southeast Asia, Cuba, and North Korea all had centrally planned economies.

The failure of these economies is due largely to the shortcomings of communism. Often, central planners had too many decisions to make and too little understanding of local conditions. With wages set, workers had little **incentive** to work hard. Communism's greatest failing, however, was the suffering that it caused. Shortages of food and goods were common. Millions of people died building huge collective farms in China and the Soviet Union. Millions more were imprisoned for criticizing government policies.

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## STRUGGLING READERS

### Comparing Economic Systems

1. Have students work in pairs, and direct each pair to create a set of flashcards based on the Compare Economic Systems chart. Students should write the name of the economic system on the front of the card. On the other side of the card have students write an answer to a question asked in the first column of the chart.

2. Have students take turns quizzing each other until both students correctly identify most cards.
3. Finally, have pairs discuss ways in which the economic systems are alike and ways in which they are different.

\*Alternative Assessment Handbook, Rubric 9: Comparing and Contrasting

**Reading Check**  
Compare How are socialist economies similar to both communist and capitalist economies?

With the collapse of communism in the early 1990s, most communist countries adopted some form of market economy. Five communist countries are left—China, Cuba, Laos, North Korea, and Vietnam. All allow greater market competition, except for North Korea.

### The Free Enterprise System

U.S. capitalism is sometimes called the **free enterprise system**. Under this system, Americans enjoy a number of freedoms. They are free to exchange goods and services and choose careers. They are also free to own and operate enterprises, or businesses, with little government intervention.

The ability to make a profit is one of the chief advantages of the free enterprise system. In this system, profit can reward hard work and innovation. The desire to make a profit also encourages competition, forcing producers to offer higher-quality products at lower prices. Another advantage is that people often have greater freedoms in societies with free enterprise systems. They can own property, make economic decisions, and participate in open elections.

Maintaining a functioning free enterprise system requires people to act in a morally responsible and ethical way. Businesses and individuals must obey laws, be truthful, and avoid behaviors harmful to others.

Unethical behavior can lead to business failure and a loss of trust in the system. For example, if company officials begin to lie about a business's financial condition, then investors can lose thousands, even billions of dollars. Finally, the company itself could go bankrupt.

**Reading Check**  
Summarize How does the ability to make a profit help the economy?

#### Focus on Economics

##### Young Entrepreneurs

Let's take a look at one American entrepreneur who took advantage of the free enterprise system. In 2006, eight-year-old Madison Robinson from Galveston, Texas, had an idea to sell light-up flip-flops for kids. With financing from friends and family, she started her own company, Fish Flops. By 2013 Fish Flops had over \$1 million in sales, enough profit to cover Robinson's college tuition.

At age eight, Madison Robinson started a business selling flip-flops that she designed.



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#### LINK TO LANGUAGE ARTS

##### Understanding Competition

1. Have students identify a product that they know well. Then invite them to come up with an idea for a competing product.
2. To create a "competition" report, students will first write a description of the existing product. Descriptions should include the product's strengths and weaknesses, and the benefits it gives consumers.
3. Next, have students describe the competing product. Direct them to note the same details about the new product as they did for the original. Invite students to provide visuals of both the original and new products.
4. Have students write a brief paragraph explaining why their product will be a better value to the consumer than the original.
5. Invite students to read their reports to the class. As a class, discuss any necessary corrections to align them with standard English usage.

\*Alternative Assessment Handbook,  
Rubric 40: Writing to Describe

## Teach the Main Idea

The United States benefits from a free enterprise system

**Define** What is the free enterprise system? *It is another name for capitalism, an economic system that is market-driven.*

**Explain** What aspects of the free enterprise system are free? *Freedom of business owners to start, own, and operate a business; freedom of workers to choose their jobs; consumers' freedom of choice about what to buy*

**Explain** What is the role of profit in the free enterprise system? *It motivates people to be creative and work hard, and encourages competition, resulting in better products at lower prices.*

**Analyze** Why do you think that societies with free enterprise systems often have greater political and personal freedoms? *possible answer—if people have the ability to choose their jobs and invest their money, they may grow to expect a certain degree of freedom in other areas.*

#### More About . . .

**Connect to Economics: Adam Smith** In 1776, a Scotsman, Adam Smith, wrote the influential economics text, *The Wealth of Nations*. In it, he said that private competition without government regulation was the best economic system. He felt that private businesses that followed their own interests in free markets organized the economy in the best way "as if by an invisible hand."

#### FOCUS ON ECONOMICS

##### Young Entrepreneurs

Have students read the feature about Madison Robinson. Robinson began her own business at the age of eight, earning over \$1 million in sales by the time she entered college.

#### READING CHECK

**Summarize** How does the ability to make a profit help the economy? *It rewards hard work and creativity and encourages competition.*

## Teach the Main Idea

Governments provide public goods.

**Define** What are public goods? *Public goods are government goods and services that the public consumes.*

**Explain** How does government pay for public goods? *through taxation*

**Analyze** What impact might higher taxation have on the economy? How might lower taxes affect the ability of government to provide public goods? *If taxes are too high, businesses may not make as much profit; if taxes are too low, government may not be able to provide necessary public goods.*

More About . . .

**Government Spending on Education** Every state spends a portion of its budget on education, but the percentage of spending varies widely from state to state. According to the U.S. Census Bureau, Utah devotes the largest portion of its budget (40.8 percent) to education, while New York spends just 22.4 percent. On average, state governments spend about 30 percent of their budgets on education.

### READING CHECK

**Find Main Ideas** Why does the government provide public goods? *Government can collect taxes to pay for the infrastructure and services that benefit everyone.*

### Government and Public Goods

Today, federal, state, and local governments provide expensive or important services to large groups of people who might otherwise have to do without the service. These government goods and services that the public consumes are called **public goods**. The government pays for public goods with the taxes they collect.

For example, by establishing schools, government makes it possible for all children to receive a good education. Governments also provide police to protect lives and property and fire departments to protect homes and businesses.



This firefighter battles a raging fire to protect public safety.

Because of government, we can travel highways that stretch from border to border. We have a system of money that makes it easy for us to buy and sell things and to know the price of these things. Trash is collected, and health and safety laws are enforced to protect us. We can go to public libraries. By maintaining our infrastructure of bridges, airports, and roads as well as many more services, government helps economic activity.

**Government Scarcity** Scarcity affects government, too. It has unlimited wants but limited resources. Government collects taxes to pay for the public goods. Some economists believe that if taxes are too high, businesses won't make as much profit. Other economists believe that if taxes are too low, it reduces the public services that protect our quality of life. Therefore, government must determine the opportunity cost of investing in education, national defense, social services, and other programs and try to find a balance.

In addition, federal, state, and local governments use regulations, or a set of rules or laws, to control business behavior. Government regulations must be effective and fairly enforced. These regulations often include protections for public health and safety and the environment. For example, a town in a mountain ski area might determine the opportunity cost of regulations to preserve land versus the rights of property owners to develop it for tourism. Then, it must make tradeoffs.

Reading Check  
Find Main Ideas  
Why does the government provide public goods?

## Economic Activities and Development

Every nation's economy includes a variety of economic activities. Economic activities are the ways in which people make a living. Some people farm, others manufacture goods, and still others provide services. Geographers categorize these economic activities into four levels of industry.

**Levels of Industry** The first level is called primary industry. People working at this level harvest products from the earth. **Agricultural industries** are primary activities that focus on growing crops and raising livestock. Fishing and mining are also primary activities. Raw materials such as grain, cattle, seafood, and coal are all products of primary activities.

At the next level, secondary industry, people use natural resources and raw materials to make products to sell. In **manufacturing industries**, people and businesses manufacture, or make, finished products from raw materials. For example, a furniture maker could use wood to make a table or a chair.

### Economic Activity



#### Primary Industry

Primary industries use natural resources to make money. This farmer sells milk from dairy cows to earn a living.



#### Secondary Industry

Secondary economic activities use raw materials to produce or manufacture something new. In this case, the milk from dairy cows is used to make cheese.



#### Tertiary Industry

Tertiary economic activities provide goods and services to people and businesses. This grocer selling cheese in a market is involved in a tertiary activity.



#### Quaternary Industry

Quaternary industries process and distribute information. Skilled workers research and gather information. Here, inspectors examine and test the quality of cheese.

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### ADVANCED/GIFTED

#### Classifying Levels of Industry

1. Brainstorm with students to create a list of industries and companies located in the local area and a list of the major industries and companies within the state. Have students copy the list on their own paper.
2. Direct students to work in pairs to create a three-column chart. In the first column, students should list the names of the companies and industries on the class list. In the second column, students should identify which industries/companies on the list are primary, secondary, tertiary, and quaternary. In the third column, students should write a justification for their classification.

3. Have students share and discuss their charts. When there are discrepancies in the classifications, ask students to explain and defend their choice.

\*Alternative Assessment Handbook, Rubric 38: Writing to Classify

## Teach the Main Idea

Geographers categorize countries based on levels of economic development and range of economic activities.

**Define** What are economic activities? *the ways in which people earn a living*

**Analyze** How are primary and secondary industries related? *Primary industries provide raw materials, while secondary industries use those materials to manufacture products.*

**Identify** Which economic indicators do geographers use to evaluate a country's development? *gross domestic product, per capita GDP, level of industrialization, quality of life*

**Draw Conclusions** How do you think a low literacy rate affects economic development? *Possible answers—fewer people able to learn and perform complex jobs; fewer new ideas and improvements to the economic system*

### More About . . .

**U.S. Economic Activities** In the current U.S. economy, nearly every job or industry is connected to a primary, secondary, tertiary, and quaternary industry. For example, computers require raw materials such as silicon (primary); manufacturers produce chips, screens, keyboards, and so on with the raw materials (secondary); sales and service people sell and fix computers (tertiary); programmers and others design and engineer computers (quaternary). The construction industry also has different levels. Raw materials such as wood are required for building (primary); manufacturers create windows, concrete, siding, and so on (secondary); sales and services help sell and repair homes (tertiary); architects and planners design homes; buildings, subdivisions, and so on (quaternary).

### ONLINE INTERACTIVE VISUALS

#### Carousel: Economic Activity

Have students navigate through the carousel and note the kinds of activities associated with the different levels of industry.

Primary Industry

Primary Industries use natural resources to make money. This farmer sells milk from dairy cows to earn a living.

Primary Industry

Primary Industries use natural resources to make money. This farmer sells milk from dairy cows to earn a living.



## ONLINE INTERACTIVE CHARTS

### A Developed and a Developing Country

Invite students to examine the images and interpret the data, then answer the associated question.

**Contrast** How does the quality of life in Afghanistan differ from that in Australia? *With lower incomes, life expectancy, literacy rates, and fewer doctors, Afghanistan has a lower quality of life than Australia.*

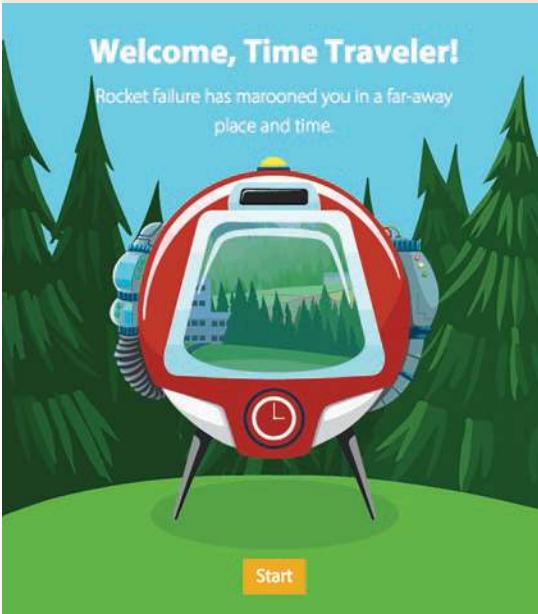
#### Countries



Per Capita GDP (U.S. \$)	▼
Life Expectancy at Birth	▼
Literacy Rate	▼
Physicians per 10,000 people	▼

### WELCOME, TIME TRAVELER!

Have students play the game to test their knowledge of different types of economies and economic goods by answering the questions.



In the third level, or tertiary industry, people provide goods and services to customers. Workers at this level may sell goods and products from primary and secondary industries. Some work in **wholesale industries**, businesses that sell to businesses. They help move goods from manufacturer to market. Others work in **retail industries**, businesses that sell directly to final consumers. For example, a furniture wholesaler buys tables from a manufacturer. Then, the wholesaler sells the tables to a retail store, such as a department store, that sells directly to consumers.

Still other tertiary workers, like health-care workers and mechanics, work in **service industries**, businesses that provide services rather than goods. Teachers, store clerks, and doctors are all tertiary workers.

The fourth level of economic activity, quaternary industry, involves the research and distribution of information. People making a living at this level work with information rather than goods and often have specialized knowledge and skills. Architects, librarians, computer programmers, and scientists all work in quaternary industries.

**Economic Indicators** Economic systems and activities affect a country's economic development, or the level of economic growth and quality of life. Geographers group countries into two basic categories: developed countries and developing countries. To decide if a country is developed or developing, geographers use economic indicators, or measures of a country's wealth.

### A Developed and a Developing Country

Australia	Afghanistan
Per Capita GDP (U.S. \$): \$56,311	Per Capita GDP (U.S. \$): \$594
Life Expectancy at Birth: 82.2	Life Expectancy at Birth: 51.3
Literacy Rate: 99%	Literacy Rate: 38.2%
Physicians Per 10,000 People: 32.7	Physicians Per 10,000 People: 2.7
Sources: CIA, The World Factbook 2016; World Bank	

#### Contrast

How does the quality of life in Afghanistan differ from that in Australia?



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### SPECIAL NEEDS STUDENTS

#### Developing vs. Developed Countries

1. Read aloud the text on Developed and Developing Countries, and then discuss with students the differences in life expectancy, literacy rates, and access to health care.
2. Have students create two comic strip panels, each with four to eight frames. The first strip should reflect the daily life of an adolescent in a developed country. The second strip should show the daily life of a young person in a developing country.

3. Have students share and discuss their work in small groups.

\*Alternative Assessment Handbook, Rubric 3: Artwork

**Academic Vocabulary**  
per capita the average per person

One indicator, **gross domestic product (GDP)**, is the value of all goods and services produced within a country in a single year. Another indicator is a country's **per capita** GDP, or the total GDP divided by the number of people in a country. As you can see in the chart, per capita GDP allows us to compare incomes among countries. Other indicators include literacy and life expectancy and the overall level of industrialization. We also look at the types of industries a country has and at its level of health care and education.

**Developed and Developing Countries** Many of the world's wealthiest and most powerful nations are **developed countries**, countries with strong economies and a high quality of life. Developed countries like Germany and the United States have a high per capita GDP and high levels of industrialization. Their health care and education systems are among the best in the world.

The world's poorer nations are known as **developing countries**. These countries have less productive economies and a lower quality of life. Almost two-thirds of the world's people live in developing countries. These countries have a lower per capita GDP than developed countries. Most of their citizens work in farming or other primary industries. Although these countries typically have large cities, much of their population still lives in rural areas. People in developing countries usually have less access to health care, education, and technology. Guatemala, Nigeria, and Afghanistan are all developing countries.

Often, a country's economic activities reflect its economic development. In the poorest developing countries, the vast majority of people work in primary industries, such as farming. As a country becomes more

#### Focus on Culture

##### Female Literacy

Literacy rates are improving around the world, particularly for women and girls. Still, women lag behind men. Of the 774 million illiterate adults (about 17% of the world's population), two-thirds are women. Religious and cultural beliefs and economic conditions contribute to the problem. Illiteracy severely impacts a country's economic growth, quality of life, and its population's overall health and well-being. At 24.2%, Afghanistan has one of the lowest female literacy rates in the world. In many areas, women and girls are not allowed to attend school or to hold a job.



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#### ► ONLINE DOCUMENT-BASED INVESTIGATION

##### Female Literacy

Female Literacy is the second of four document-based investigations that students will analyze in the Economics module. While literacy rates are improving around the world, female literacy still lags behind male literacy. Students will learn how low literacy rates can affect the quality of life in a country.

**Analyze Sources** What do you think would be the impact to the country of Afghanistan if 75 percent of its female population learned how to read? *possible answers: Its economy would grow; people's quality of life would improve; women might push harder to be allowed to go to school and hold jobs.*

In print edition, see feature of the same title.

DOCUMENT-BASED INVESTIGATION VISUAL SOURCE

##### Female Literacy

Literacy rates are improving around the world, particularly for women and girls. Still, women lag behind men.

#### COLLABORATIVE LEARNING

##### Developed and Developing Countries

1. Organize students into pairs.
2. Assign each pair one developed and one developing country. Each student will research one country to locate facts like the facts listed in the chart titled A Developed and a Developing Country: Per Capita GDP, Life Expectancy, Literacy Rate, Physicians Per 10,000 People.
3. Ask pairs to report their findings orally and to classify each country as developed or developing. Ask them why they chose to classify each country as they did.
4. Make two columns on the board and list countries researched as developed or developing. You might discuss what GDP or other standards students might use to classify countries or discuss countries that are closer to the middle.

\*Alternative Assessment Handbook, Rubric 30: Research

## READING CHECK

**Contrast** How does GDP differ in developed and developing countries? *GDP is higher in developed countries*

### Reading Check

Contrast How does GDP differ in developed and developing countries?

developed, fewer people work in primary industries. In the mid-1800s about two-thirds of U.S. workers worked in primary activities. Today, 80 percent work in tertiary industries, including wholesale, retail, and service industries. Only 3 percent of Americans work in primary industries.

**Summary and Preview** In this lesson you learned some of the ways in which geographers categorize world economies and their peoples. In the next lesson, you will learn about how the money and banking systems work.

## Lesson 2 Assessment

### Review Vocabulary, Terms, and Places

1. a. **Compare** Who makes the economic decisions in a traditional economy? Compare this with market and command economies. *traditional: made locally; command: made by the central government; market: made by individuals and businesses*
- b. **Analyze Effects** Why are most modern economies called mixed economies? *They are a combination of command, market, and traditional economies.*
2. a. **Identify** What types of industries does a socialist government control? *government-owned industries such as electrical utilities, communications networks, and healthcare to ensure that everyone has access to services*
- b. **Evaluate** What explains the record of collective, non-free market economies in the world today? *weaknesses of communism*
3. a. **Identify** What are the advantages of the free enterprise system? *ability to make a profit; freedom to work without government intervention; political and personal freedoms*
- b. **Analyze Effects** How can unethical and immoral behavior hurt the free enterprise system? *People could lose money and trust in the system; businesses could fail.*
4. a. **Define** What are public goods? Give examples and describe why they are important. *Students' answers should show an accurate understanding of public goods and their benefits to society.*
- b. **Evaluate** What are some of the tradeoffs of government regulations? Include examples in your answer. *Excessive regulations can impede business profit and growth; too few regulations can put the general public at risk. For example, China has dangerous levels of air pollution because it does not have strong air quality regulations.*
5. a. **Define** Describe and give examples of agricultural, wholesale, retail, manufacturing, and service industries. *Students' answers should show an accurate understanding of each industry.*

5. a. **Define** Describe and give examples of agricultural, wholesale, retail, manufacturing, and service industries.
- b. **Explain** What are developed and developing countries? Include examples of economic indicators in your answer.

### Critical Thinking

6. **Form Generalizations** How might economic factors affect the use of technology in a developing country?
7. **Compare** Use your notes to complete a chart like the one below that compares economic systems. For each system, list how some societies organize the production and distribution of goods and services.

Free Enterprise	Socialist	Communist

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- b. **Explain** What are developed and developing countries? Include examples of economic indicators in your answer.  
*Developed countries are industrialized with strong economies and higher GDP and literacy rates than developing countries.*

### Critical Thinking

6. **Form Generalizations** How might economic factors affect the use of technology in a developing country?  
*Developing countries are poorer than developed countries, which affects their educational level and their ability to afford technology.*
7. **Compare** Use your notes to complete a chart that compares economic systems. For each system, list how some societies organize the production and distribution of goods and services. *Students' charts should contain correct details about each economic system.*

## ► Online Assessment

1. Which statement describes a command economy?

- The government decides which goods are to be produced.
- Prices are determined by the supply and demand for goods.
- Businesses buy and sell goods with little interference by the government.
- The work that people do is based on customs passed down through generations.

**Alternate Question** Select the answer choice from the drop-down list to complete the sentence correctly.

In command economies, **governments**  decide which goods are to be produced, how many goods are to be produced, and how they are to be distributed.

2. Which of the following characterizes the economies of the United States and Canada?

- They are capitalist economies in which consumers decide what goods to purchase.
- They are communist economies in which consumers have few choices of which goods to purchase.
- They are socialist economies in which the government controls vital industries like electricity production and healthcare.
- They are socialist economies in which the government makes decisions about vital industries like electricity production and healthcare.

**Alternate Question** Select the answer choice from the drop-down list to complete the sentence correctly.

Capitalist economies, such as the United States and **Canada** , provide many products for consumers to choose.

3. Which freedom does the free enterprise system promote?

- the freedom of religion
- the freedom of the press
- the freedom to bear arms
- the freedom to own property

**Alternate Question** Select the answer choice from the drop-down list to complete the sentence correctly.

In a free enterprise system, people are free to **own property** , make economic decisions, and participate in open elections.

4. Which of the following does the government provide with the taxes that are collected?

- private universities
- primary and secondary public schools
- entertainment, like movies and concerts
- full employment of the nation's workforce

**Alternate Question** Select the answer choice from the drop-down list to complete the sentence correctly.

With taxes that the government collects, it is able to build interstate highways and to fund **public schools**  and police and fire departments.

5. What is a country's gross domestic product?

- a country's level of industrial development
- a country's level of health care and education
- the measure of literacy and life expectancy in a particular country
- the value of all goods and services produced within a country in a single year

**Alternate Question** Select the answer choice from the drop-down list to complete the sentence correctly.

The **gross domestic product**  measures the value of all goods and services within a country in a single year.

6. **Compare and Contrast** How are command and market economies different?

*In a command economy, the government directs the economic activity of the country, deciding which products are to be made. In a market economy, there is little interference from the government. The supply and demand of goods determine the price of goods, and businesses determine which goods are to be produced.*

7. **Summarize** Why did many communist nations decide to change their economies from command to market by the 1990s?

*Communist economies caused many hardships for their people. Central planners had too many economic decisions to make and often did not account for local conditions. As a result, food shortages were common in the Soviet Union and China, and millions died as a result. By the 1990s the Soviet Union fell, and this convinced many other nations to change their economies from command to market.*

8. **Evaluate** Why are business ethics important in a free enterprise system?

*Businesses must act in a moral and ethical way because their behavior can result in a loss of trust and may lead to bankruptcy. Businesses are bound by laws and must report accurate financial reports to their investors. If investors are not given a full understanding of the company's financial condition, then they can lose millions of dollars if the company performs poorly or goes bankrupt.*

9. **Elaborate** How do governments use regulations to control businesses' behavior?

*Governments create business regulations in order to protect the public's health and safety, and to protect the environment. Therefore, governments create sets of rules or laws that limit business activities. For example, a tourist company must respect the rights of property owners and the environment in order to operate.*

10. **Compare and Contrast** How are a country's gross domestic product (GDP) and quality of life related? Give one example.

*Countries with a high gross domestic product (GDP) are usually highly developed countries with developed industries. Germany is a country with a high GDP and advanced industries. Germany has an excellent health care system, offers excellent educational opportunities, and therefore has a high quality of life.*

## ADDITIONAL INSTRUCTIONAL MATERIALS

*continued from page 164*

### More About . . .

**Karl Marx** Modern societies that have adopted command economies have done so largely because of the influence of Karl Marx, a 19th-century German economist. According to Marx, all of history is a struggle between classes. In his time, the struggle was between the owners of the great industrial factories and the workers who exchanged their labor for wages. Marx predicted that in time the workers would overthrow this system and transfer ownership of the factories to public hands. With the means of production owned by the government, the class struggle would be resolved and all citizens would share in the wealth.

*continued from page 165*

### LINK TO LANGUAGE ARTS

#### A Day in the Life

1. Review with students the characteristics of traditional and command economies.
2. Organize students into pairs. Have one student in each pair imagine that he or she lives in a traditional farming economy, while the other student imagines living in an industrialized command economy.
3. Have students write letters to each other describing a typical day. Students might include the type of jobs they or family members have, how their family gets things they need, and where and how they shop.
4. Encourage students to identify a country or region that has their type of economy.
5. For an extension activity, students can ask questions about and respond to each other's letters in a second and third round of letters.

\*Alternative Assessment Handbook, Rubric 25: Personal Letters



# Money and Banking



## ► Online Lesson 3 Enrichment Activities

### A Student-Run Bank

**Video** Students watch a video to learn how some high school students in California are learning about banking by working as tellers at on-campus bank branches. Then they research various tasks that bank workers do, and write about one of them.

### Watch Channel One News



PLAY VIDEO 1:55  
A Student-Run Bank

1 Channel One News

### Earning Money

**Article** Students read an article about entering the job market, then complete an activity about potential jobs they might be interested in.

### Credit

**Video** Students watch a video on credit cards to learn how they work. Then they write a brief summary of the video.

### Watch Channel One News



PLAY VIDEO 2:31  
Credit

1 Channel One News

# Money and Banking

## The Big Idea

People and businesses sell goods and services to earn income, which they can then use to build wealth.

## Main Ideas

- Money is used as a medium of exchange, a store of value, and a unit of account.
- Banks are places to store money, earn money, and borrow money.
- People can use their earnings to build wealth.

## Key Terms and Places

barter  
money  
medium of exchange  
store of value  
unit of account  
interest rate  
assets  
savings  
investment

## If YOU lived there ...

Sadly, your favorite elderly grandmother has passed away. As a parting gift, she left some money in her will for your college education. Since you are not 18 years old, your parents will manage the money. But, they want you to help them decide the best way to keep it safe and to make it grow.

**How would you decide what to do with the money until you are ready for college?**

## Purposes of Money

Imagine what life would be like if money did not exist. How would people get the goods that they need? One way is to **barter**, or trade a good or service for a good or service provided by someone else. Trading like this is hard because two people who want to barter must at the same time want what the other has to offer. For example, suppose you want to trade two T-shirts for a pair of jeans. One friend may have the jeans but not want your shirts. Another might want your shirts but not have jeans to trade. As a result of these kinds of trading challenges, people created money to use as payment.

**The History of Money** What do the following things have in common: cattle, corn, salt, copper, gold, silver, seashells, stones, and whale teeth? At different times and in different places, they have all been used as money. **Money** is anything that people will accept as payment for goods and services.

Historians do not know exactly when and where metal coins were first used as money, but most agree that coins were invented in the sixth or seventh century BC. Over time, more and more civilizations began minting, or stamping, their own coins. Eventually, they began producing paper money as well. Today, every country in the world has a currency, or type of money. For example, the United States has the dollar, Mexico has the peso, and many European countries have the euro.

**The Functions of Money** Money performs three important functions. It serves as a medium of exchange, a store of value, and a unit of account. As you have read, bartering is an

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## Teach the Big Idea

### 1. Whole Class Open/Introduction

If **YOU** lived there ...

**How would you decide what to do with the money until you are ready for college?**

Review the scenario with students and lead a class discussion around responses to the question. Remind students that all responses are valid as long as they are supported with valid reasoning. You may wish to review the following points to frame your discussion.

**Consider SAVING the money:**

- Money deposited at a bank is very safe.
- Bank deposits are easily accessible (liquid).
- Interest paid on the deposit will likely be small.

**Consider INVESTING the money:**

- Potential for building wealth is high.
- There is also a possibility of loss.
- Investors pay fees to buy stock.

**2. Direct Teach** Introduce the Big Idea: *People and businesses sell goods and services to earn income, which they can then use to build wealth.* Ask students to identify various ways people can save and invest money. Write their responses on the board and have them explain what they know about each. If necessary, suggest methods such as bonds, mutual funds, and stocks.

**3. Practice/Assess/Inquire** Organize students into groups and assign each group one of the following: savings accounts, certificates of deposit, stocks, bonds, and mutual funds. Have students research their assigned savings/investment method to create a chart that describes the method, tells the level of risk involved, and names advantages and disadvantages.

**4. Explore** Have students present their charts to the class. In their presentations, students should suggest some financial goals that can be met by the method they researched.

**5. Whole Group Close/Reflect** Have students write a few paragraphs on which saving/investment method they would use to achieve each of the following financial goals: a new cell phone, a motorcycle, a college education.

\*Alternative Assessment Handbook, Rubric 7: Charts

## ONLINE DOCUMENT-BASED INVESTIGATION

### Economics

Job Trends is the third of four document-based investigations that students will analyze in the Economics module. Students will consider several occupations based on salary, amount of education required, and expected growth.

## Teach the Main Idea

Money is used as a medium of exchange, a store of value, and a unit of account.

**Define** What does it mean to barter? *Barter means to trade a good or service for a good or service provided by someone else.*

**Make Inferences** What advantages might paper money have over coins? *Possible answers: Paper money is lighter and thus easier to carry; precious metals could be saved for other uses besides coins.*

**Analyze** When you trade money for a bottle of soda at the grocery store, which function of money is being applied? *medium of exchange*

## More About ...

**The Seven Denominations** The Federal Reserve Board of the United States currently issues notes in seven different denominations: \$1, \$2, \$5, \$10, \$20, \$50, and \$100. Formerly, bills in denominations of \$500, \$1,000, \$5,000, and \$10,000 were produced. These large currencies were discontinued in 1969; several thousand samples of the \$500 and \$1,000 bill remain, but just a few hundred of the \$5,000 and \$10,000 have survived.

## ► ONLINE GRAPHIC ORGANIZER

### Money and Banking

As students read the lesson, have them use the graphic organizer to take notes. Students can review their graphic organizer notes at the end of the lesson to answer the following question:

**Make Inferences** Why do you suppose a bank would give interest to someone willing to keep money in an account with the bank for a long period of time? *The bank could then use the money to loan to someone else at a higher rate of interest.*

## ► ONLINE LESSON FLIP CARDS

### Review Key Terms and Places

Students can use the flip cards in the Lesson Review at any time to review the lesson's key terms and places: **barter, money, medium of exchange, store of value, unit of account, interest rate, assets, income, savings, investment.**

## ► ONLINE INTERACTIVE VISUALS

### Carousel: Forms of Modern Currency

Have students navigate through the carousel and examine the different kinds of currency.

Forms of Modern Currency



Mexico



#### READING CHECK

**Draw Conclusions** Why did civilizations begin using coins as money? *Money made exchange easier and more efficient.*

## Some Modern Paper Money



inefficient way for people to meet economic needs. By contrast, money is an efficient **medium of exchange**, or a means through which goods and services can be exchanged. It allows precise, flexible pricing of goods and services.

A **store of value** is something that holds its value over time. People do not have to spend their money all at one time. They can save it and spend it in the future. They know that it will be accepted wherever and whenever they need to use it to make purchases.

Money serves as a good **unit of account**, or yardstick of economic value in exchanges. It allows people to measure the relative costs of goods and services. For example, a \$20 T-shirt is worth two \$10 gift cards, four \$5 burritos, or ten \$2 bus rides. In the United States, the economic value of all goods and services can be measured by the dollar, the nation's basic monetary unit.

### Banks and the Economy

Banks offer services that allow them to act like "money stores." Just as stores are places where goods can be bought and sold, banks are places where money can be bought (borrowed) and sold (loaned). Services offered by banks allow customers to store money, earn money, and borrow money. Banks are businesses that earn money by charging interest or fees on these services.

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## SPECIAL NEEDS STUDENTS

### Bartering

- For this activity, provide students with common classroom items, such as an eraser, marking pen, pencil, and so on. Each student should have one or two items.
- Ask them to trade their item for one of somewhat equal value or for one that they would prefer to have. When the trade is completed, remind students that what they have done is bartered one item for another.

- Guide students in a discussion of whether or not they think they received a "fair" trade and how much easier or fairer the activity might have been if they had used actual money. Ask students whether they would prefer to live in a society that barters or one that uses currency to acquire and sell goods.

\*Alternative Assessment Handbook, Rubric 12: Drawing Conclusions



Banks store money and other valuables for their customers in vaults.

**Banking Services** Although banks can offer many services, they have three main functions. Customers can store money in banks, they can earn money from banks, and they can borrow money from banks. Each of these services is important.

Banks are safe places where people can store money and valuables. Customers deposit money in the bank, and the bank stores the money in vaults. The money stored in banks is insured against theft and other loss. Customers' bank accounts are also insured in case the bank fails.

Customers can earn money when they store their savings in banks. Savings accounts and some checking accounts offer a payment called interest. Interest is a payment that a borrower pays to a lender as a fee for use of the money borrowed. When a person deposits money in a savings account, he or she is loaning money to the bank. In addition to savings accounts, many banks offer types of accounts that have special rules and higher interest rates.

Banks also offer loans to customers. They offer different loans for different reasons. Customers apply for loans, and their applications for each loan must be approved by the bank. In addition, when borrowing money from a bank, the customer must pay interest to the bank. One common loan is a mortgage. A mortgage loan allows a buyer to purchase property such as a house without having all of the money. The lending bank and the borrower agree on a time period for the loan and an interest rate. Then, customers pay the bank a certain amount every month until the loan is paid off.

**How Interest Works** When customers leave money in a bank, the bank pays the customer for use of that money in the form of interest. The amount of interest paid is determined by the **interest rate**, which is usually a percentage of the total amount of money in the customer's account. The bank doesn't simply store its customers' money, though. It uses the

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## STRUGGLING READERS

### Banking Services

1. Review the information in the text about the services that banks provide their customers. Make a class list for all to see, and have students copy the list on their own paper.
2. Direct students to research a local bank online to see what services the bank offers and what interest is paid and charged on different types of accounts.

3. Have students prepare a visual presentation of the results, and have them share their presentations with the class.
4. When students have finished, guide them in a discussion of which banks pay the most interest on accounts and which charge the highest interest on loans.

\*Alternative Assessment Handbook, Rubrics 29: Presentations; and 30: Research

## Teach the Main Idea

Banks are places to store money, earn money, and borrow money.

**Explain** How do banks earn money? *by charging interest or fees on the services they provide*

**Recall** What is a mortgage loan? *a loan that allows a buyer to purchase property such as a house without having all of the money*

**Explain** How do customers earn money by opening savings accounts? *Banks pay customers for the use of the money customers leave in the bank, in the form of interest.*

**Predict** What impact would low interest rates have on the economy? *When interest rates are low, customers tend to borrow more money or look for savings products or investments that offer high interest rates so they can earn more.*

### ONLINE ANALYZE VIDEOS

#### Millennial Banking

Have students watch the video individually or as a class. You may wish to use the associated question as a discussion prompt.

**Analyze Videos** What are some of the reasons young adults are choosing not to use conventional banks? *possible answers: high banking fees; don't trust banks; limited resources; conventional banks don't offer the flexibility that young adults want and need; it's more convenient to take care of finances online; online options offer more flexibility than conventional banks*

#### Watch Channel One News

PLAY VIDEO 2:00  
Millennial Banking  
Channel One News

## Teach the Main Idea

People can use their earnings to build wealth.

**Contrast** What is the difference between an asset and an income? *An asset is something of economic value that a person or business owns; an income is money that a person or business earns.*

**Draw Conclusions** What would be the best choice if you wanted to save enough money to buy a new laptop computer in three months—a savings account, a CD, or stocks? Explain. *A savings account would be best, because the money is needed fairly soon, the risk of losing money is low, and the money can be withdrawn anytime.*

**Define** What is an investment? *Investment is the use of money today in a way that earns future benefits.*

**Explain** How does inflation impact savings accounts? *Savings accounts may not pay enough interest to keep up with inflation, so the money in the account will buy less and less.*

More About . . .

**Misconception Alert** Students may believe that investing in stocks is “only for wealthy people.” Explain to them that many stocks—even those of well-known, financially solid companies—typically sell for less than \$100 per share. In addition, some mutual funds—a managed portfolio of stocks and/or bonds—have minimum investments of as low as \$100, making it possible for people with modest incomes to invest in the stock market.

### READING CHECK

**Explain** What are the effects of high and low interest rates? *When interest rates are high, people will save more. When interest rates are low, people may invest more or borrow more.*

### Reading Check

Explain  
What are the effects  
of high and low  
interest rates?

### Academic Vocabulary

Intangible not  
perceivable by the  
senses; not physical

money to make loans to other customers. It charges these borrowing customers a higher interest rate than the rate that it pays on savings accounts. In this way, the bank hopes to make a profit.

Interest rates affect economic activity of businesses and individuals. When interest rates are high, more bank customers will save money so that they can earn more money in interest. When interest rates are low, customers tend to borrow more money to take advantage of the low cost of borrowing. Or, if they have no need to borrow money, they may look for savings products or investments that offer high interest rates so that they can earn more with their money.

## Money Management

As you have learned, wants are unlimited and the resources available to meet these wants are limited. For this reason, people and businesses are motivated to save and invest money, which increases their financial resources. Savings and investments are good ways to gain **assets**. An asset is something of economic value that a person or company owns. Some assets, such as houses, are physical and acquired by spending. Other assets, such as savings and investments, are **intangible** but still valuable.

Fastest-Growing Occupations  
(projected for 2014–2024)



Number of New Jobs in These Occupations	% Change	Average Salary*	Education Needed
Wind turbine service technicians 4,800	108%	\$51,050	✓ ✓ ✓
Web developers 39,500	26.6%	\$64,970	✓ ✓
Registered nurses 439,300	16.0%	\$67,490	✓ ✓ ✓ ✓
Home health aides 348,400	38.1%	\$21,920	✓
Nurse practitioners 44,700	35.2%	\$98,190	✓ ✓ ✓
Retail salespersons 314,200	6.8%	\$21,780	✓
Occupational therapy assistants 14,100	42.7%	\$57,870	✓ ✓

Source: United States Bureau of Labor Statistics, 2017

\*Median average salary, 2015

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## TIERED ACTIVITY

### The Rule of 72 and Personal Saving

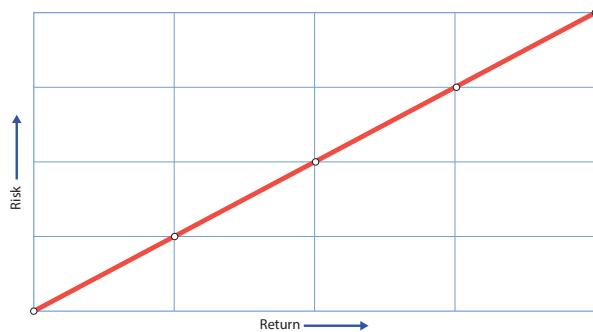
**Below Level** Have students research the Rule of 72 (*a formula for determining how long it will take for a depositor to double his or her money—72 divided by the interest rate*). Then ask them to use the Rule of 72 to calculate how long it would take to double their money if they had \$1,000 in a savings account earning 3% interest.

**At Level** Going beyond the Below Level activity, ask students to research the 50/30/20 Rule to determine what percentage of income they should plan to set aside in a savings account (20%). Then ask them to determine how much would be saved in a year if they earned \$750 per week.

**Above Level** Going beyond the Below and At Level activities, ask students to examine the phrase “the rich get richer and the poor get poorer” in light of what they have learned about the Rule of 72 and the 50/30/20 Rule. Have them write several paragraphs explaining how and why it might be easier for a person with a larger income to earn more money than a person with a smaller income.

For additional instruction, go to end of lesson.

### The Relationship of Risk and Return



**Income** Every person who has a job that pays a wage earns income. They offer a service (their labor) to a company (their employer) and are paid money in return. Businesses also earn income by selling goods and services. Supply and demand help determine how much businesses and individuals can charge for their goods and services, but a worker can sometimes increase earnings by being especially productive. Why would a business pay a worker more for being productive? It is because the productive worker completes more work in less time than the other workers do.

People can do two things with the money they earn. They can spend it or save it. Much income is spent on basic costs such as housing, food, and utilities. Any money left after these essentials have been covered is called discretionary income. The earner can spend this money on other wants or save it.

**Building Wealth** **Savings** is income not spent on immediate wants. People have many options for saving money. Common options include savings accounts, certificates of deposit (CDs), and stocks. Savings accounts are good when the money may be needed soon, because these accounts allow customers to withdraw money anytime. However, they pay only a small interest rate. For this reason, savers who do not expect to need their money soon may choose a different way to save.

CDs are offered for a fixed term like six months or a year. Because customers agree to leave the money in the account for a specific time period, banks pay higher interest than they do for savings accounts. In general, the longer the time period of the CD, the higher the interest rate that a bank will pay.

Another option for earners is to invest their money. **Investment** is the use of money today in a way that earns future benefits. One way to invest is to buy stock, or partial ownership, in a company. Savers do this in the hope that the stock price will increase. They could then sell their stock and make a profit. Unlike deposits in savings accounts of banks and credit

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### ONLINE DOCUMENT-BASED INVESTIGATION

#### Job Trends

Invite students to interpret the table and answer the associated question.

**Analyze Sources** If you wanted to earn more than \$50,000 per year but didn't want to go to college, what occupation might you pursue, based on this table? *web developer*

Fastest Growing Occupations  
(projected for 2014-2024)

Number of New Jobs in These Occupations	% Change	Average Salary*	Education Needed
Wind turbine service technicians 4,800	11%	\$51,050	✓ ✓ ✓
Web developers 39,500	26.4	\$64,870	✓ ✓
Registered nurses 499,300	14.0	\$67,490	✓ ✓ ✓ ✓
Home health aides 342,400	38.1	\$21,920	✓
Nurse practitioners 44,700	35.2	\$98,190	✓ ✓ ✓
Retail salespersons 114,300	6.8	\$21,780	✓
Occupational therapy assistants 14,100	42	\$57,870	✓ ✓

Source: United States Bureau of Labor and Statistics, 2017



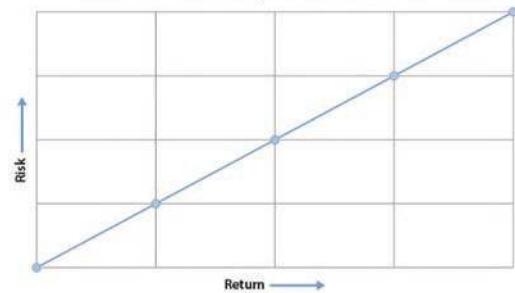
\*Median average wages, 2013

### ONLINE CHART

#### The Relationship of Risk and Return

Invite students to examine the chart to observe the relationship between investment risk and potential return.

The Relationship of Risk and Return



### COLLABORATIVE LEARNING

#### Create a Mind Map of Money Management

- Explain to students that they will create mind maps about the question: What are ways I can manage my money? Organize the class into groups of four or five students and explain that the central idea of the mind map is the question being discussed. Each group should write this central idea in the center of a blank sheet of paper.

- From that main idea, students should brainstorm to create branches that each represent a single word and/or image relating to the main topic. Then students should create sub-branches that stem from the main branches to further expand on ideas and concepts.
- Remind students that it is helpful to use different colors and images to differentiate the branches and subtopics. The sizes of letters used can also demonstrate the relative importance of various concepts.

\*Alternative Assessment Handbook, Rubric 13:  
Graphic Organizers

## READING CHECK

**Identify** Which types of savings would work best when saving to buy a car? *savings accounts, CDs*

# Print Assessment

## Review Ideas, Terms, and Places

1. a. **Summarize** What are the three main functions of money? *Money functions as a medium of exchange, a store of value, and a unit of account.*
- b. **Predict Effects** What did the invention of coined money likely do for trade? *Possible answer: It made trade easier, and this helped trade to increase. Money became easier to transport, so people could trade with communities farther away.*
2. a. **Recall** What are the three main functions of banks? *Banks allow customers to store money, earn money, and borrow money.*
- b. **Explain** Why do banks charge more interest to borrowers than they pay to lenders? *They hope to make a profit.*
3. a. **Elaborate** What are the advantages of savings accounts? their disadvantages? *Advantages: Savings accounts are safe because they are insured; you can get to the money whenever you need to. Disadvantages: They earn low interest rates; they can even lose money because of inflation and the low interest rates.*
- b. **Identify and Explain** Which tool for savers has the potential for the most earnings? What is the downside of this tool? *Investments in stock have the potential for the most earnings. The downside is that they are risky; investors can potentially lose money.*

## Critical Thinking

4. **Compare and Contrast** Use your notes to complete a chart to compare and contrast different savings and investment options. For each option, list the positive and negative aspects. *Savings Account—Safe, low interest, can get money anytime, good for short-term savings goals; CDs—safe, slightly higher interest than savings, have to leave money in account for agreed-upon time period, good for short-term saving; Stocks—can be risky, hard to get to your money, need to leave money for many years to minimize risk, good for long-term savings goals*

unions, money invested in stock is not insured. There is always the risk that stock prices could drop instead of rise. In such cases, the investor loses money because the investment is not insured. In addition, investors pay fees to buy stock.

**Risk and Reward** When deciding whether to save or invest, earners must first choose an investment goal. Are they saving up for a car? a vacation? retirement? The goal will help them determine the best method to save. Savers must also consider how much risk they are able to accept and how much reward (earnings) they are hoping to earn.

In general, investments that carry higher risk—that is, risk of losing some or all of the invested money—are most likely to earn high rewards. Safe investments such as savings accounts are less risky, but they also earn lower rewards. Because stock investments are risky in the short-term, they are not a good way to save money for short-term goals such as vacation or a new car. However, because they tend to earn high returns over many years, they are a good way to save for retirement. Savings accounts and CDs are better savings options for short-term goals.

Inflation is another risk that savers must consider. Because it affects the purchasing power of money, it can affect all types of accounts. Savings accounts may not pay enough interest to keep up with inflation. This means that, over time, the money in the account will buy less and less. For this reason, savers often seek products that can offer a higher rate of return, such as those available from stock investments. Because a higher rate of return comes with a higher risk, savers leave the money in the account for a long time in the hopes that any losses can eventually be regained.

**Summary and Preview** In this lesson you learned how our money and banking systems help people spend and save money. In the next lesson, you will learn how world economies interact and trade.

## Lesson 3 Assessment

### Review Vocabulary, Terms, and Places

1. a. **Summarize** What are the three main functions of money?
- b. **Predict Effects** What did the invention of coined money likely do for trade?
2. a. **Recall** What are the three main functions of banks?
- b. **Explain** Why do banks charge more interest to borrowers than they pay to lenders?
3. a. **Elaborate** What are the advantages of savings accounts? their disadvantages?
- b. **Identify and Explain** Which tool for savers has the potential for the most earnings? What is the downside of this tool?

### Critical Thinking

4. **Compare and Contrast** Use your notes to complete a chart like the one below to compare and contrast different savings and investment options. For each option, list the positive and negative aspects.

Savings Account	CDs	Stocks

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## ADVANCED/GIFTED

### Saving and Spending

1. Tell students to pretend that each of them has just been given \$30,000 to spend or invest as they choose.
2. Have each student create a detailed spending and/or investment plan for the money. Remind students that they will have to make trade-offs. For example, should they decide to buy a car or save the money? If they choose to save the money, there are additional choices to make, including whether to put the money in a bank, a credit union, or the stock market.

3. Direct students to conduct outside research so that they can develop a specific plan that is based on actual rates and item costs.

4. When finished, ask students to create a visual presentation of their plan.

\*Alternative Assessment Handbook, Rubrics 16: Judging Information; and 29: Presentations

For additional instruction, go to end of lesson.

## ► Online Assessment

1. How is money a store of value?

- It can be saved and spent in the future.
- It is a means by which items can be exchanged.
- Goods and services can be measured by the dollar.
- People can use it to measure the relative cost of goods.

**Alternate Question** Select the answer choice from the drop-down list to complete the sentence correctly.

Money is a **store of value** , meaning that it can be saved and spent in the future.

2. Which statement accurately describes how banks function?

- Banks allow people to store, earn, and borrow money.
- Banks allow people to make their own coins and paper money.
- Customers usually lose their money if a bank closes or is robbed.
- Customers are usually charged higher mortgage rates than they can afford.

**Alternate Question** Select the answer choice from the drop-down list to complete the sentence correctly.

Customers can use banks as places to **store** , their money, earn money over time, and borrow money through loans.

3. Which of the following is an intangible asset?

- houses
- land
- offices
- savings

**Alternate Question** Select the answer choice from the drop-down list to complete the sentence correctly.

Intangible assets, such as **savings** , and investments, are not physical objects but they still have value.

4. **Make Generalizations** What objects have been used as money throughout history? Give three examples.

*Money is anything that people will accept as payment for goods or services. Throughout history, people have used stones, seashells, and whale teeth as a means of payment. By the 7th century BC, metal coins became a widely used type of money. Today, coins and paper money are common forms of currency.*

5. **Cause and Effect** How do interest rates affect how people borrow money?

*An interest rate is a percentage that a bank charges on borrowed money. When interest rates are low, people are more likely to borrow more money. When interest rates are high, people tend to borrow less, and save more money.*

6. **Analyze Issues** Why is investing in stocks risky?

*Unlike deposits in savings accounts, stocks are not insured. Therefore, purchasers can lose money if their stock decreases in value. As well, stock purchasers are charged a fee for buying stock, so they may lose money depending on how well a company's stock performs.*

## ADDITIONAL INSTRUCTIONAL MATERIALS

*continued from page 175*

More About . . .

**Size of National Economies** It is possible to have a very large economy, but still be a relatively poor country. In 2014 China was rated as the second-largest economy in the world according to purchasing power. However, because it has so many people and its GDP per capita is still relatively low, China is generally still considered a developing country.

**Connect to History: Banca Monte dei Paschi di Siena** Founded in 1472 in Siena, Italy, Banca Monte dei Paschi di Siena is the oldest surviving bank in the world. The bank was originally formed to make charitable loans to “poor or miserable or needy persons” at a very low interest rate. The word *monte* means “heap” or “pile” and refers to the money that was collected to distribute to the poor people of Siena. In 1624, the Medici Grand Duke granted depositors state guarantees on their money by entailing the income from the state-held pasture lands in Italy’s Maremma region (the “Paschi” which gave the bank its name). Today, Banca Monte dei Paschi di Siena is one of the largest banks in Italy, with about 30,000 employees and 4.5 million customers.

**Bank Tellers** The banking industry is home to a wide variety of occupations. Most bank workers are *bank tellers*—employees who deal directly with customers. Bank tellers help customers make deposits and withdrawals, answer customer questions about their accounts, change money, prepare money orders and traveler’s checks, and other similar functions. Tellers must have a wide knowledge of all the services the bank provides. The rise of online and mobile banking has allowed customers to perform many functions previously handled by tellers.

*continued from page 176*

More About . . .

**Connect to Economics: The Global Car** Since automobiles were invented, foreign cars (cars not produced by a U.S. company) have been available to people in this country. Manufacturers in Italy, Germany, and Japan were producing cars by the 1920s, but most people in the United States purchased cars from American companies such as Ford, Chevrolet, and Chrysler.

In the 1960s and 1970s companies such as Volkswagen, Nissan, Toyota, and Honda found ways to produce dependable cars more cheaply. Although U.S. manufacturers encouraged people to “Buy American,” their control of the U.S. market weakened. By the 1990s nearly every major automobile producer in the world was connected to factories and parts from around the world. It is now almost impossible to “Buy American” or to buy a car solely produced in the United States, Japan, Germany, or a single other country.

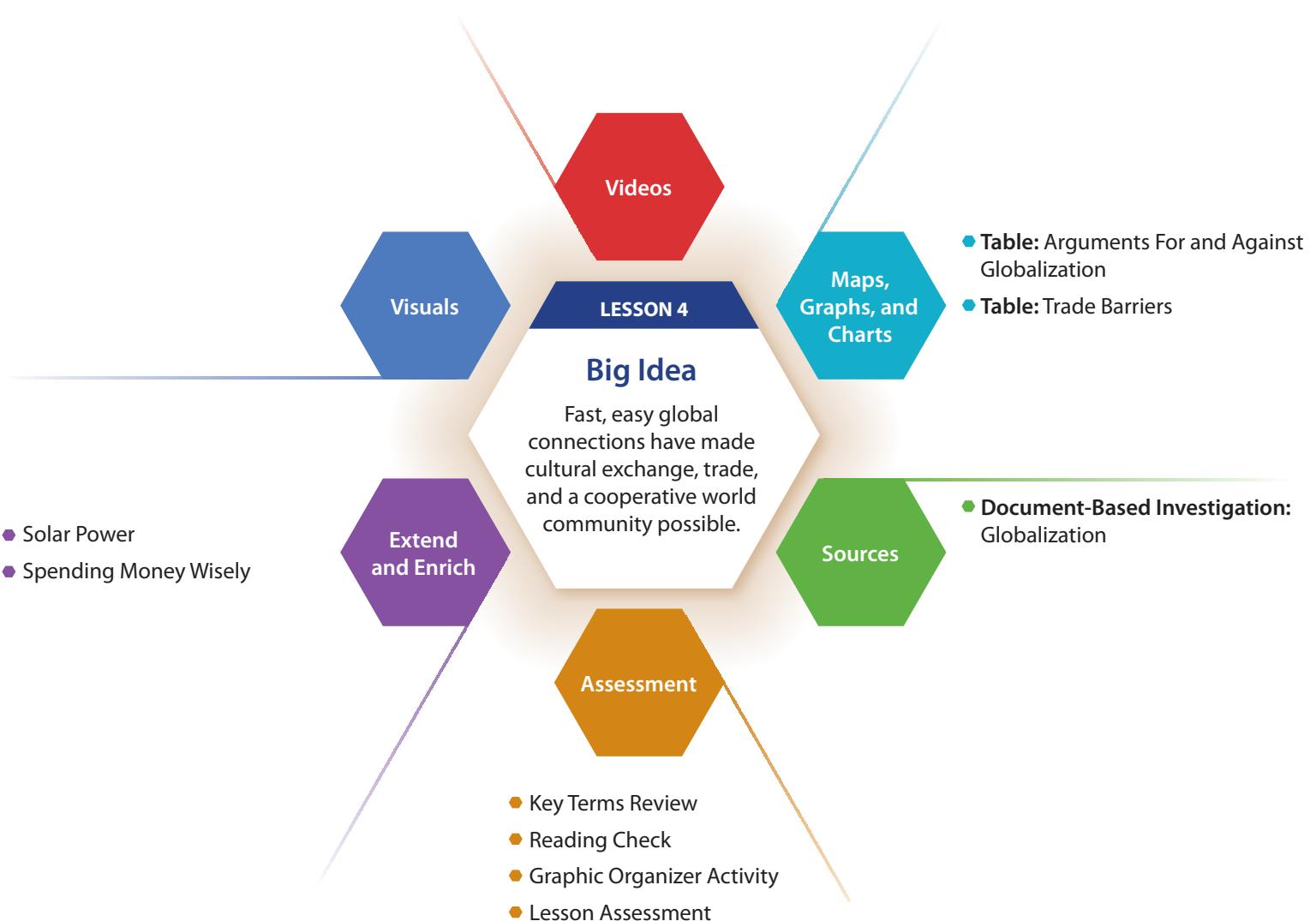
*continued from page 178*

More About . . .

**Connect to History: The FDIC** The Federal Deposit Insurance Corporation (FDIC) was created in 1933 in the aftermath of the thousands of bank failures that occurred during the Great Depression. Millions of Americans lost their life savings when banks went out of business during the Depression. The FDIC covers the depositors of a failed FDIC-insured institution. The current standard deposit insurance coverage limit is \$250,000 per depositor, per FDIC-insured bank, per ownership category. Depositors do not need to apply for FDIC insurance; coverage is automatic whenever a deposit account is opened at an FDIC-insured bank.



# Living in a Global Economy



## ► Online Lesson 4 Enrichment Activities

### Solar Power

**Video** Students watch a video about Grace Mahary's efforts to bring solar energy to communities that lack electricity. Then they list and think about the ways they use electricity in their daily lives and imagine going a week without electricity.

### Watch Channel One News

The image shows a video player interface. At the top, it says "Watch Channel One News". Below that is a photo of six young people (three boys and three girls) standing together. A play button icon and the text "PLAY VIDEO 3:34" are on the left. To the right of the video frame is the "Channel One News" logo, which consists of a white number "1" inside a blue circle with the text "Channel One News" below it. The video title "Project Tsehigh: Solar Power" is displayed at the bottom of the video frame.

### Spending Money Wisely

**Article** Students read an article about saving money, then write an essay in which they explain the process they used to make an economic decision.

# Living in a Global Economy

## Big Idea

Fast, easy global connections have made cultural exchange, trade, and a cooperative world community possible.

## Main Ideas

- Globalization links the world's countries together through culture and trade.
- Multinational corporations make global trade easier and allow countries to become more interdependent.
- The world community works together to solve global conflicts and crises.

## Key Terms and Places

globalization  
popular culture  
trade barrier  
free trade

## If YOU lived there ...

You live in Louisville, Kentucky, and you have never traveled out of the United States. However, when you got ready for school this morning, you put on a T-shirt made in Guatemala and jeans made in Malaysia. Your shoes came from China. You rode to school on a bus with parts manufactured in Mexico. At school, your class even took part in an online discussion with students who live in Canada.

## What makes your global connections possible?

## Globalization

In just seconds, an email message sent by a teenager in India beams all the way to a friend in London. A band in Seattle releases a song that becomes popular in China. People from New York to Singapore respond to a crisis in Brazil. These are all examples of **globalization**, the process in which countries are increasingly linked to each other through culture and trade.

What caused globalization? Over the past 100 years, improvements in transportation and communications—like airplanes, telecommunications, and the Internet—have brought the world closer together. As a result, global culture and trade have increased.

**Popular Culture** What might you have in common with a teenager in Brazil? You probably have more in common than you think. You may use similar technology, wear similar clothes, and watch many of the same movies. You share the same global **popular culture**.

More and more, people around the world are linked through popular culture. *Popular culture* refers to culture traits that are well known and widely accepted by the general population. Food, sports, music, and movies are all examples of our popular culture.

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## Teach the Big Idea

### 1. Whole Class Open/Introduction

If **YOU** lived there ...

#### What makes your global connections possible?

Review the scenario with students and lead a class discussion around responses to the question. Remind students that all responses are valid as long as they are supported with valid reasoning. You may wish to review the following points to frame your discussion.

#### Consider modern-day TRANSPORTATION:

- airplanes
- ships
- trucks

#### Consider modern-day COMMUNICATION:

- Internet
- email
- cell phones

**2. Direct Teach** Introduce the Big Idea: *Fast, easy global connections have made cultural exchange, trade, and a cooperative world community possible.* Have students name some of their favorite foods as you write them on the board. Then ask what countries they associate with those foods. Explain that their lives are impacted in many other ways by global connections.

**3. Practice/Assess/Inquire** Ask students to draw a chart with two columns on a piece of paper. Have them label the columns with these headings: *Globalization* and *Popular Culture*. Have students write examples of how they have been affected by each. Examples might include food, music, movies, sports, products bought, participation in world organizations, and so on.

**4. Explore** Write the headings on the board and ask volunteers for examples from their list. Discuss the examples and add others from your experience.

**5. Whole Group Close/Reflect** Ask each student to draw a map of the world as if it were a “global village.” Countries might be represented by houses or neighborhoods. Countries with shared borders might be close neighbors and powerful or populous countries might be larger than others. Have students display and discuss their work.

\*Alternative Assessment Handbook, Rubrics 7: Charts; and 20: Map Creation

## Teach the Main Idea

Globalization links the world's countries together through culture and trade.

### Explain

What caused globalization?

*Improvements in transportation and communications have brought the world closer together.*

**Identify** What is popular culture? Give some examples of popular culture. *culture traits that are well known and widely accepted by the general population*

**Draw Conclusions** How has globalization affected the English language? *commonly used around the world in business, science, and education; added many words from other cultures*



## ONLINE DOCUMENT-BASED INVESTIGATION

### Economics

Globalization is the fourth of four document-based investigations that students will analyze in the Economics module. Students will see how some of the items they use every day may come from a variety of faraway places.

## ► ONLINE GRAPHIC ORGANIZER

### Living in a Global Economy

As students read the lesson, have them use the graphic organizer to take notes. Students can review their graphic organizer notes at the end of the lesson to answer the following question:

**Explain** How does globalization connect people, businesses, and countries? *connects people in a shared popular culture; connects businesses by making buying and selling quicker and easier; connects countries by making them more interdependent*



## ► ONLINE LESSON FLIP CARDS

### Review Key Terms and Places

Students can use the flip cards in the Lesson Review at any time to review the lesson's key terms and places: **globalization, popular culture, trade barrier, free trade.**

## ► ONLINE DOCUMENT-BASED INVESTIGATION

### Image with Hotspots: Globalization

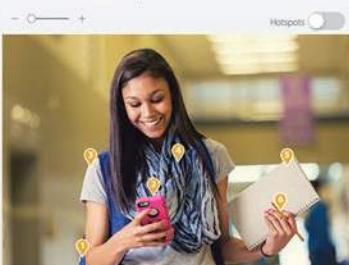
Have students explore the image using the interactive hotspots. You may wish to use the associated question as a discussion prompt.

**Analyze Sources** At least how many different countries are represented by this girl's clothes and school supplies? *five: United States, Canada, China, Vietnam, and India*

In print edition, see visual of same title.

#### Globalization

Where do the things you own come from? You may be surprised to learn that some of them traveled a long way to reach you! One advantage of a global economy is having access to many goods from all over the world, so often they are available for less money.



### READING CHECK

**Find Main Ideas** How has globalization affected the world? *It has linked people and businesses around the world and affected trade.*

**Reading Check**  
Find Main Ideas  
How has globalization affected the world?

The United States has great influence on global popular culture. For example, American soft drinks are sold in almost every country in the world. Many popular American television shows are broadcast internationally. English has become the major global language. One-quarter of the world's people speak English. It has become the main language for international music, business, science, and education.

At the same time, the United States is influenced by global culture. Martial arts movies from Asia attract large audiences in the United States. Radio stations in the United States play music by African, Latin American, and European musicians. We even adopt many foreign words, like *sushi* and *plaza*, into English.

### Global Trade

Globalization not only links the world's people, it also connects businesses and affects trade. Societies have traded with each other for centuries. Today, global trade takes place at a much faster pace than ever. Cargo ships have grown larger and faster, and specially designed airplanes now move goods at record speeds. Telecommunication, computers, and the Internet have globalized trade and made global buying and selling quick and easy. For example, a shoe retailer in Chicago can order the running shoes she needs on a website from a company in China. The order can be flown to Chicago the next day and sold to customers that afternoon.

180 Module 5

## STRUGGLING READERS

### Global Trade

- With students, brainstorm a list of American brands and corporations. Write the list on the board for all to see. Then, ask students to select one brand or corporation and determine through research the other countries in which the company operates or sells its products.
- Have students create or mark a map showing the home base of the corporation and the countries where it sells its products or has major offices.

- When students have finished their maps, have them share what they learned with the class.

\*Alternative Assessment Handbook, Rubrics 20: Map Creation; and 30: Research



Large container ships, such as these in the port of Seattle, are a cost-efficient way to transport goods across the globe.

The expansion of global trade has increased interdependence among the world's countries. Interdependence is a relationship between countries in which they rely on one another for resources, goods, or services. Many companies in one country often rely on goods and services produced in another country. For example, automakers in Europe might purchase auto parts made in the United States or Japan. Consumers also rely on goods produced elsewhere. For example, American shoppers buy bananas from Ecuador and tomatoes from Mexico. Global trade gives us access to goods from around the world.

**Multinational Corporations** Multinational companies operate in a number of different countries. Examples include Apple, Nike, and Toyota. These companies sell the products and services they offer to places throughout the world. They also have manufacturing plants, offices, and stores in many countries and continents.

To keep costs low, companies often build their manufacturing plants in locations where raw materials or labor is cheapest. They may produce different parts of their products on different continents. Then, the companies ship the various parts to another location to be assembled. The corporations find that if they locate part of their business in a country, local residents are more likely to buy its products and services.

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## Teach the Main Idea

Multinational corporations make global trade easier and allow countries to become more interdependent.

**Describe** How do improved communication and transportation affect global trade? *Trade becomes quicker and easier.*

**Identify** What is a multinational corporation?

Give at least three examples. *A multinational corporation is a business that operates in a number of different countries; examples include Apple, Nike, and Toyota.*

**Analyze** What are some goods that people in the United States rely on other countries to provide? *Possible answers include coffee, bananas, and oil.*

## More About . . .

**Corporate Logos** An easily recognizable corporate logo is one of the most powerful marketing tools a company can have, and most of the world's leading multinational corporations have equally recognized logos. The Nike "swoosh" and the golden arches of McDonald's can be spotted all around the world. Perhaps the most recognized logo in the world is the Coca-Cola trademark, along with its distinctive contoured bottle.

## COLLABORATIVE LEARNING

### Name and Create a Logo for a Multinational Corporation

- Organize the class into four groups. Tell each group that they will be naming and designing a logo for a new company that plans to sell vegetarian fast food in the United States, Canada, and Mexico.
- Encourage each group to research the principles of good design and to talk about what makes a good company name. Have students examine some well-known corporate logos for inspiration. Make sure students understand that the name and logo they create must appeal to people in all three countries where the restaurant plans to operate while conveying the business's purpose.

- Allow each group to create and illustrate their logo using materials of their choice.
- When students have completed their work, have groups display their company names and logos and answer questions about them.

\*Alternative Assessment Handbook, Rubric 3:  
Artwork

## ONLINE INTERACTIVE TABLES

### Arguments For and Against Globalization

Have students explore the table to review arguments for and against globalization.

#### QUICK FACTS

#### Arguments For and Against Globalization

Not everyone thinks globalization is a good idea. For every benefit it offers, it seems as if there is a corresponding challenge.

##### For

- Promotes peace through trade
- Raises the standard of living and GDP
- Creates jobs in developing countries
- Promotes investment in developing nations' education, technology, and infrastructure
- Creates a sense of world community

#### Quick Facts

### Arguments For and Against Economic Globalization

#### For

- promotes peace through trade
- raises the standard of living and GDP
- creates jobs in developing countries
- promotes investment in developing nations' education, technology, and infrastructure
- creates a sense of world community

#### Against

- creates conflict because of an unfair system
- benefits developed nations more than developing nations
- takes jobs from high-paid laborers in developed countries
- may underpay workers in developing nations
- hurts local cultures

#### Reading Check

Analyze Effects  
How might the location of multinational companies affect the gross domestic product (GDP) of a developed and developing country?

Many developing nations want multinational corporations to invest in them because they create jobs. Some developing nations offer multinational corporations a promise of low taxes to encourage them to do business there. After all, multinational corporations create jobs and expand the economy of a nation. With additional money coming in because of globalization, developing countries can improve their infrastructure. In this way, governments are better able to meet the needs of their citizens.

### Global Economic Issues

Countries trade with each other to obtain resources, goods, and services. However, as you learned, scarcity is not equally divided across nations. While developed nations have found ways to strengthen their economies, developing nations still struggle to gain economic stability. They lack the necessary technologies, well-trained workers, and money for investments.

**Economic Aid Organizations** Developed nations provide aid to developing nations through the work of international organizations. One of these organizations is the World Bank. The World Bank provides loans for large projects in countries that need them, but might not otherwise be able to pay

## ONLINE INTERACTIVE TABLES

### Trade Barriers

Have students explore the table to examine the different types of trade barriers. You may wish to use the associated question as a discussion prompt.

**Interpret Charts** Which type of trade barrier do you think is used least often? Why? *Possible answer: embargos, because they are created for political, not economic reasons.*

In print edition, see table of same title.

#### Type of Trade Barrier



TARIFF

QUOTA

EMBARGO

#### Definition

#### Example

#### READING CHECK

**Analyze Effects** How might the location of multinational companies affect the gross domestic product of a developed and developing country? *Investment in education, factories, and technology would increase the developing nation's GDP; however, investment in fewer factories, education, and technology could decrease the developed nation's GDP.*

### Trade Barriers

Type of Trade Barrier	Definition	Example
Tariff	A tax that must be paid on imported items	A country taxes imports of Chinese steel at higher rates to protect steel production within its own country.
Quota	A limit on the amount of product imported or a limit on the amount of product imported at a lower tariff	A country imposes more quotas on goods and materials from developed countries than those from less-developed countries.
Embargo	A restriction or ban of trade with a country for political purposes	The United States restricts trade with Cuba because of concerns about the dictatorship of Raúl Castro.

#### Analyze Information

Which type of trade barrier do you think is used least often? Why?

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### ANALYZE INFORMATION

#### Examine a World Problem

1. Tell students that they will be responsible for selecting and researching a world problem and a relief organization that helps address the problem. Encourage students to consider areas of interest to them or organizations they may have heard about. Tell them to take notes to prepare an oral presentation.

2. Ask for volunteers to present information on their world problem and relief organization. If there is not enough time for all students to report, ask them to hand in their notes.
3. Discuss as a class ways that individuals or groups might participate in efforts to solve world problems and how they might choose which efforts to support

\*Alternative Assessment Handbook, Rubrics 30: Research; and 11: Discussions

for them. These loans often are used to pay for health care, education projects, or infrastructure, such as roads or power plants. Another organization is the International Monetary Fund (IMF). The IMF offers emergency loans to countries in financial trouble. These loans help countries keep a stable money and banking system so people can continue to buy and sell goods and services and their economy can begin to grow and prosper.

While these economic aid organizations can play an important role in development, they also have weaknesses. For example, the World Bank might fund a project that it considers worthy, like the building of a large dam. But, the project may not help the people of a country. Some have criticized the IMF for setting harsh financial conditions for countries receiving loans. For example, the IMF might require a country to cut its government spending drastically, which could affect jobs. Still, developed nations remain interested in helping developing nations. They see developing nations as sources of raw materials and as potential markets for goods. That is why developed nations would like the economies of developing nations to become strong and stable.



U.S. president Donald Trump and Chinese president Xi Jinping shake hands before a G20 (Group of 20) meeting in Hamburg, Germany. G20 meetings bring together the world's 20 leading industrialized and emerging economies for discussions on important issues, such as trade.

## ADVANCED/GIFTED

### The World Bank and IMF

- With students, review the information in the text about the World Bank and the IMF.
- Have students research the history of the organizations and the purpose that they serve.

- Have students use the information to prepare a speech explaining the purpose and mission of the organizations and providing concrete examples that illustrate their purpose and mission.
- Have students give their speeches to the class. Encourage the class to ask questions about what they heard.

\*Alternative Assessment Handbook, Rubrics 24: Oral Presentations; and 30: Research

## Teach the Main Idea

The world community works together to solve global conflicts and crises.

**Explain** What kind of services are provided by the

World Bank? *The World Bank provides loans for large projects in countries that need them, but might not otherwise be able to pay for them.*

**Analyze** What are some criticisms of the

International Monetary Fund? *The IMF sometimes sets harsh financial conditions for countries receiving loans and might require a country to cut its government spending, which could increase unemployment.*

**Define** What is a trade barrier? *A trade barrier is any law that limits free trade between nations.*

## More About . . .

**The International Monetary Fund** The International Monetary Fund (IMF) was created at a conference of the United Nations at Bretton Woods, New Hampshire, in July, 1944. Forty-four countries attended the conference hoping to create a way for countries to cooperate economically in order to avoid a repeat of the Great Depression of the 1930s. Today 188 nations are members of the IMF, whose primary purpose is to safeguard the stability of the international monetary system.

### READING CHECK

**Compare and Contrast** List the differences among the following types of trade barriers: tariffs, quotas, and embargoes. *They are all laws. A quota limits the amount of a lower-priced imported product. A tariff taxes imported goods to protect the price of domestic goods. An embargo cuts off most or all trade with a specific country.*

## Print Assessment

### Review Ideas, Terms, and Places

1. a. **Describe** What is globalization? *a process in which countries are increasingly linked through culture and trade*
- b. **Make Inferences** How has popular culture influenced countries around the world? *It has spread culture traits such as food, music, sports, movies, and language around the world.*
2. a. **Evaluate** Describe the impact of globalization and improved communications technology on cultures. *Places are more connected and interdependent. Global trade is quicker and easier.*
- b. **Analyze Motives** What benefits do multinational companies receive by locating business in a developing country? What benefits does the government of the developing country receive? *the multinational often gets cheaper labor or resources, new potential customers, and lower tax rates; the developing government gets money to improve the infrastructure and services that it couldn't provide otherwise*
3. a. **Evaluate** In your opinion, has globalization hurt or helped the people of the world? Why? *answers will vary*
- b. **Analyze Causes** Why might governments use trade barriers? *to protect their domestic products and jobs from cheaper foreign competition; or for political reasons, like the embargo on Cuba*

### Critical Thinking

4. **Identify Cause and Effect** Use your notes and make a graphic organizer to identify the effects that globalization has on our world. *Answers will vary, but may include effects such as economic interdependence, trade barriers vs. free trade, popular culture, and the rise of multinational companies.*

**The Economics of Free Trade** Global trading helps many countries around the world expand their economies. Yet sometimes governments pass laws to try to protect their country's jobs and industries. A **trade barrier** is any law that limits free trade between nations. One type of trade barrier is quotas. Quotas limit the amount of a lower-priced imported product. Another trade barrier is a tariff, or tax on imported goods to protect the price of domestic goods. An embargo is a law that cuts off most or all trade with a specific country. It is often used for political purposes. Since the early 1960s, for example, the United States has had an embargo on trade with communist Cuba. In 2016 President Obama visited Cuba and met with Cuba's president Raúl Castro in an effort to begin to ease relations between the two countries. In 2017 President Trump reversed Obama's policies and created new restrictions on traveling to or doing any business with Cuba.

Trade barriers exist for many reasons. However, some countries look for ways to make it easier for other nations to trade with them. For example, many countries now encourage free trade. **Free trade** removes trade barriers between nations. Since 1995 the World Trade Organization (WTO) has worked with other nations to help trade among nations flow as smoothly and freely as possible. In 2016, there were 164 member countries.

**Summary** Economic systems help people around the world buy the goods and services they need. These systems also provide a way for people and businesses to sell goods and services to earn income. Geographers learn more about a country by studying its factors of production, economic activities, and levels of development. Fast and easy global connections have made cultural exchange, trade, and a cooperative world community possible.

### Lesson 4 Assessment

#### Review Ideas, Terms, and Places

1. a. **Describe** What is globalization?
- b. **Make Inferences** How has popular culture influenced countries around the world?
2. a. **Evaluate** Describe the impact of globalization and improved communications technology on cultures.
- b. **Analyze Motives** What benefits do multinational companies receive by locating business in a developing country? What benefits does the government of the developing country receive?
3. a. **Evaluate** In your opinion, has globalization hurt or helped the people of the world? Why?
- b. **Analyze Causes** Why might governments use trade barriers?

#### Critical Thinking

4. **Identify Cause and Effect** Use your notes and make a graphic organizer like the one below to identify the effects that globalization has on our world.

Globalization		
Effects	Effects	Effects

## ► Online Assessment

1. Which of the following is an example of globalization?
  - Shirts are made in Vietnam.
  - A scientist reads an article written in English.
  - An American student buys a pencil made in the United States.
  - A band in Seattle releases a song that becomes a hit in China.

**Alternate Question** Select the answer choice from the drop-down list to complete the sentence correctly.

American popular culture influencing people in (the) **China** is an example of globalization.

2. How do multinational companies keep their costs low?
  - They build factories far away from raw materials.
  - They manufacture their products in only one country.
  - They assemble their final product in many different countries.
  - They build factories in countries where the labor is inexpensive.

**Alternate Question** Select the answer choice from the drop-down list to complete the sentence correctly.

Multinational companies take advantage of a(n) **inexpensive** labor force in order to keep their costs low.

3. How can governments protect their national industries?
  - by encouraging free trade practices
  - by lowering quotas on imported goods
  - by placing embargoes on foreign countries
  - by creating trade barriers to decrease competition

**Alternate Question** Select the answer choice from the drop-down list to complete the sentence correctly.

Developing nations can protect their industries by creating trade barriers, such as **quotas** and tariffs, on imported goods.

4. **Illustrate** How has American culture spread throughout the world?

*The culture of the United States has spread throughout the world by way of television, marketing of American products, like soft drinks, and through the adoption of English as a global language. American music, sports, and movies are enjoyed throughout the world. English has become the main language of science, education, and international business.*

5. **Make Generalizations** Why do many developing nations want multinational companies to build factories in their country?

*Developing nations offer multinational companies the promise of low taxes and inexpensive labor in order for them to build factories in their countries. Multinational corporations provide workers with jobs. As a result, developing nations can expand their economies and build transportation networks, communication networks, and buildings with the money from multinational companies.*

6. **Evaluate** Why do developing nations struggle to have stable economies?

*Developing nations do not have the technology necessary to expand their economies. Their labor force is generally poorly educated and lacks the necessary training to compete with workers from developed nations. As well, they lack the necessary money to improve their businesses, resulting in unstable economies.*



# Social Studies Skills

## Determine the Strength of an Argument

### Define the Skill

Studying economics and geography often involves learning about different opinions. In order to understand these opinions, it is important to recognize strong arguments. An **argument** is a piece of writing that expresses a particular view. A strong argument presents a position, or claim about a topic, and supports that claim with reasons and evidence. Examples and points should be true and should relate to the argument. It is also important to consider any evidence against the argument.



**Claim** - a writer's position on a problem or issue

**Reason** - a statement that explains to readers why they should believe your claim

**Evidence** - proof that supports or backs up each reason, including facts, examples, statistics, and quotations

Although each piece of evidence supports a specific reason, all of the evidence should clearly relate to the writer's position or claim. The evidence must also come from credible, reliable sources.

### Learn the Skill

Read the following paragraph. Notice how the claim is supported by a reason and evidence.

The term literacy means a person's ability to read, write, do basic math, and use technology.

Increasing literacy rates is the best way to overcome poverty and disadvantage.

People who master these skills are more likely to achieve a higher level of education and get better jobs.

Studies have shown that illiterate people earn 30%-42% less than similar literate people. A UNESCO study shows that the income of a person with poor literacy changes very little during his or her working career. However, incomes of people with higher literacy and math skills will increase two to three times more than what they earned at the beginning of their working career.

Claim

Reason

Evidence 1

Evidence 2

### Practice the Skill

Use the library or Internet to find an editorial or a reader's letter to the editor in your local newspaper. Print it out or copy it. Then highlight the claim, at least one reason, and one supporting piece of evidence.

# Social Studies Skills

## Determine the Strength of an Argument

Tell students that studying geography often involves learning about different opinions. In order to understand these opinions, they must recognize strong arguments. Strong arguments are based on convincing supporting evidence. Examples and points should be true and should make sense in the context of the argument. For example, supporting points should relate to the main idea of the argument. Determining the strength of an argument can help students decide whether or not to support a policy or idea.

1. Ask students to imagine they have been asked to advise the school administration on whether or not to allow the school to have vending machines that sell soda and snack foods such as chips or candy.
2. Students should base their decision to choose a particular side on evidence and the strength of the arguments for or against the issue. As students volunteer ideas about the issue, write them on the board for all to see.
3. For each statement, ask questions such as: Is this a claim, a reason, or evidence? Is this statement true? Does it make sense? What evidence is there to support the statement?
4. Conclude by asking students to decide for themselves and call for a vote on this issue. Ask students to write about the main points in a letter that could be sent to school administration.

### Learn the Skill

*Ensure that students understand the differences between claims, reasons, and evidence.*

### Practice the Skill

*Students should correctly identify the claim, reason, and supporting evidence.*

## Module 5 Assessment

### Print Assessment

#### Review Vocabulary, Terms, and Places

For each group of terms below, write one or two sentences that shows how all the terms in the group are related.

1. scarcity

factors of production

To address the scarcity of resources, economists look at the availability of the factors of production.

2. agricultural industries

manufacturing industries

wholesale industries

retail industries

Agricultural industries are economic activities at the primary level, manufacturing industries are economic activities at the secondary level, and wholesale industries and retail industries are economic activities at the tertiary level.

3. income

savings

In budgeting, 20% of income may be allocated to savings.

4. developed country

developing country

Developed countries have higher per capita GDPs than developing countries.

#### Comprehension and Critical Thinking

##### LESSON 1

5. a. **Describe** What is the relationship between scarcity and international trade? *When a country lacks a resource, it trades with another to get it.*

b. **Explain** How do the factors of production influence a nation's economy? Give two examples. *Answers and examples will vary but should show an understanding of how factors of production determine which goods and services a nation will produce, and how it will produce them.*

c. **Compare and Contrast** Study the images and text titled Availability of Resources in Lesson 1. How do economic factors affect how U.S. and Rwandan farmers use technology? *Answers will vary but should show an understanding of how economic factors, such as the availability of labor and capital, affect technology use.*

##### LESSON 2

6. a. **Elaborate** Why do you think that market economies are more successful today than command economies are? *Possible answer: In a market economy, competition and the profit motive result in better goods and services at lower prices; central planners in a command economy may not make good decisions.*

b. **Analyze Effects** In general, how does a country's access to education and technology affect its per capita GDP and standard of living? *Possible answer: the more access the population has to education and*

#### Review Vocabulary, Terms, and Places

For each group of terms below, write one or two sentences to describe how the terms in the group are related.

1. scarcity

factors of production

2. agricultural industries

manufacturing industries

wholesale industries

retail industries

3. income

savings

4. developed country

developing country

#### Comprehension and Critical Thinking

##### Lesson 1

5. a. **Describe** What is the relationship between scarcity and international trade?  
b. **Explain** How do the factors of production influence a nation's economy? Give two examples.  
c. **Compare and Contrast** Study the images and text on page 162. How do economic factors affect how U.S. and Rwandan farmers use technology?

##### Lesson 2

6. a. **Elaborate** Why do you think that market economies are more successful today than command economies are?  
b. **Analyze Effects** In general, how does a country's access to education and technology affect its GDP per capita and standard of living?

##### Lesson 3

7. a. **Describe** How does a barter system work?  
b. **Make Inferences** Why might a low interest rate lead people to borrow more money?  
c. **Form Opinions** Is a savings account or a stock investment a better way to accumulate intangible assets? Explain.

##### Lesson 4

8. a. **Identify Cause and Effect** What role does government regulation and taxation play in economic development and business planning?  
b. **Make Inferences** Identify a local business in your community that sells or provides goods or services that were made globally. List two or three examples of the globally produced goods or services, and why you think they are.



#### ONLINE DOCUMENT-BASED INVESTIGATION

##### Economics

Have students complete and review all the DBI activities in **Part 1**.

Use this Compare/Contrast Essay rubric to score students' work in **Part 2**.

##### RUBRIC

- Students' essays should
- identify similarities and differences appropriate to the topic
  - attempt comparisons from parallel categories of items
  - cite at least three sources of appropriate text evidence from Part 1 to support their comparisons
  - be organized into a distinct introduction, a main body consisting of several paragraphs, and a conclusion that sums up the main points

**Write a Compare/Contrast Essay** How are the economic challenges faced by someone growing up in a developing country different from those faced by someone growing up in a developed country? How are they similar? Write a compare and contrast essay in which you answer these questions. Be sure to discuss access to resources and education, and the role of government and trade. Be sure to cite specific evidence from at least three sources in your response.

## Module 5 Assessment, continued

### Reading Skills

9. **Draw Conclusions** Use the Reading Skills taught in this module to answer a question about the reading selection below.

The ability to make a profit is one of the chief advantages of the free enterprise system. In this system, profit can reward hard work and innovation.

The desire to make a profit also encourages competition, forcing producers to offer higher-quality products at lower prices.

Think about a popular product. How does the free enterprise system help it to be successful?

### Social Studies Skills

10. **Determine the Strength of an Argument** Use the Internet or library to find a magazine or newspaper article. Highlight its claim, at least one reason that backs up the claim, and at least one piece of supporting evidence.

### Focus on Writing

11. **Sequence** Describe the sequence of steps for moving goods from maker to consumer. Use sequence clue words in your answer.
12. **Write an Online Article** Choose two economic systems, one in a developing country and one in a developed country. Your purpose is to compare the main characteristics of these systems. Write a headline and a brief introduction that expresses your main idea. Then write a paragraph that compares their economic systems. Be sure to describe for each country who decides what to produce, how to produce it, and for whom to produce it. Write a conclusion that summarizes your main points.

technology, the higher the per capita GDP and standard of living.

### LESSON 3

7. a. **Describe** How does a barter system work? *In a barter system, people exchange goods and services for other goods and services. This can be difficult.*
- b. **Make Inferences** Why might a low interest rate lead people to borrow more money? *Possible answer: People will think it's a good time to borrow money for large purchases because the borrowing will cost less.*
- c. **Form Opinions** Is a savings account or a stock investment a better way to accumulate intangible assets? Explain. *Answers will vary but should show understanding of the benefits of the type of account chosen. Savings accounts are safe and earn some interest; stock investments earn higher rewards.*

### LESSON 4

8. a. **Identify Cause and Effect** What role does government regulation and taxation play in economic development and business planning? *protects workers and provides services that support economic development; may increase a company's cost of doing business*
- b. **Make Inferences** Identify a local business in your community that sells or provides goods or services that were made globally. List two or three examples of the globally produced goods or services, and why you think they are. *Answers will vary, but should show an ability to differentiate between locally and globally produced goods or services.*

### Reading Skills

9. **Draw Conclusions** Use the Reading Skills taught in this module to answer a question about the reading selection below.

The ability to make a profit is one of the chief advantages of the free enterprise system. In this system, profit can reward hard work and innovation. The desire to make a profit also encourages competition, forcing producers to offer higher-quality products at lower prices.

Think about a popular product. How does the free enterprise system help it to be successful? *Answers will vary, but should demonstrate the ability to link the popular product to innovation, profitability, or competitive motives.*

### Social Studies Skills

10. **Determine the Strength of an Argument** Use the Internet or library to find a magazine or newspaper article. Highlight its claim, at least one reason that backs up the claim, and at least one piece of supporting evidence. *Examples will vary, but students should accurately identify the claim, reason, and supporting evidence in their article.*

## Essential Question ESSAY

How does studying economics give us more insight into a country or region?

**RUBRIC** Students' essays should:

- respond to the Essential Question with a specific position
- illustrate valid reasoning supporting their position
- cite persuasive evidence supporting their position
- identify key people, events, and/or turning points that demonstrate understanding of the module content
- be organized into a distinct introduction, main body, and conclusion

Write an argument answering this question. Your essay should include specific details about different economic systems, how a country's resources affect how they trade, and the effects of government and globalization. Be sure to cite evidence to support your point and organize your essay into an introduction, body, and conclusion.

**Alternative Activity** Instead of writing essays, address the Essential Question through activities such as holding debates, creating multimedia presentations, or writing journal entries. See the Alternative Assessment Handbook for a selection of project rubrics.

## **Focus on Writing**

11. **Sequence** Describe the sequence of steps for moving goods from maker to consumer. Use sequence clue words in your answer. *First, the manufactured goods are sold by the manufacturer, to a wholesale business. Then, the wholesale business sells the goods to a store that sells to consumers. Finally, customers buy the goods from the store.*
12. **Write an Online Article** Choose two economic systems, one in a developing country and one in a developed country. Your purpose is to compare the main characteristics of these systems. Write a headline and a brief introduction that expresses your main idea. Then write a paragraph that compares their economic systems. Be sure to describe for each country who decides what to produce, how to produce it, and for whom to produce it. Write a conclusion that summarizes your main points.

**RUBRIC** Students articles should

- make accurate comparisons between the systems
- support main points with relevant and clarifying details
- have a headline and an introduction that states the main idea
- use standard grammar, spelling, sentence structure, and punctuation

## ► Online Assessment

1. Why is a profit motive important in many economies?

- People would not use coupons without it.
- Businesses could not advertise without it.
- Businesses could not set prices without it.
- People would not start businesses without it.

2. Drag the economic term into the box next to its description.

raw materials needed to produce goods	natural resources
human time, effort, skills, and talent needed to produce goods	labor
money that a business uses to buy the items needed for the business to function	financial capital
items such as tools, machines, factories, and office equipment needed for a business to function	capital

3. Which of the following scenarios accurately illustrates the concept of economic interdependence?

- An entrepreneur decides to open a bakery and produces bread for the neighborhood.
- Good rainfall allows a farmer to produce more strawberries and he chooses to expand his business.
- Japan lacks iron to make steel, so Japan enters into a trading relationship with Australia and Brazil, who supply Japan with iron ore.
- South Africa is rich in diamonds, gold, and mineral resources, so South Africa creates a mining industry that produces much wealth.

4. Drag the name of the country into the box next to its type of economy.

capitalist	Taiwan
communist	China
socialist	Sweden

5. Why must governments ensure that corporate taxes are not too high?

- Public services will suffer.
- Businesses will not make a profit.
- The government cannot invest in education.
- The government cannot invest in national defense.

6. Drag the type of industry into the box next to its description.

A grocer sells cheese in a market	tertiary
Inspectors examine the quality of cheese.	quaternary
A farmer sells milk produced from dairy cows	primary
Cheese makers use milk from dairy cows to produce cheese.	secondary

7. Which investment option would fall on the upper right portion of the graph?

Drag the answer choice into the box to complete the graph correctly.



8. How can customers feel certain that their money stored in U.S. banks is safe?

- Money deposits are insured.
- Many banks have armed guards.
- Most banks have good security systems.
- It is very difficult to steal money from banks.

9. Why might a person who plans to buy a car in nine months choose to invest in a certificate of deposit (CD)?

- CDs offer a better rate of return than stocks.
- CDs offer a better interest rate than savings accounts.
- Customers can cash their CD at any time when they find a good car deal.
- Customers can withdraw their money from a CD at any time without a penalty.

10. Which of the following has helped increase globalization?

Select the three correct answers.

- warfare
- airplanes
- the Internet
- communism
- trade embargoes
- telecommunications

11. Which country did the United States have a trade embargo against starting in the early 1960s?

- Cuba
- Ecuador
- Japan
- Mexico

12. Drag the name of the organization into the box next to its description.

works with nations to decrease embargoes, taxes, and quotas	World Trade Organization
offers emergency loans to countries with unstable economies	International Monetary Fund
provides loans for large projects, like building schools, in developing countries	World Bank