

GO ONLINE FOR
DIGITAL RESOURCESThe **BIG**
Question

How does the economy
meet our needs
and wants?

Jumpstart Activity



Lesson 1

What Is the
Economy?

Lesson 2

Trade and Markets

Lesson 3

People and the
Economy

Lesson 4

A Global Economy

Think about the things you and your family have in your home. Which do you need? Which could you do without? Fold a piece of paper in half. Write “Need” on one side and “Do Not Need” on the other. List three things for each category.



Wants and Needs

Preview the chapter **vocabulary** as you sing the rap.

Goods and services are bought and sold in an **economy**,
See they're set up to satisfy both wants and needs.

Producers make and sell goods or services,

Consumers buy the goods and services, you've heard
of this.

When you buy something you use money to pay,

Currency is the type of money used in a place.

When you're deciding between two items,

The **opportunity cost** is the value of the one you
didn't buy.

If **supply** is high, but **demand** is low,

Consumers may not buy, producers' profits won't grow.

Entrepreneurs take risks,

They have an idea, and then decide to open a
business.

The Nation's Economy



Where are goods sold in America?

This map shows the top-selling exports for each state in America.

Locate your state. What does it sell the most of?

What happened and When?

Read the timeline to find out about the events that shaped the American workforce.

TODAY

The United States is one of the top sellers of goods in the world.

1700s

1700s

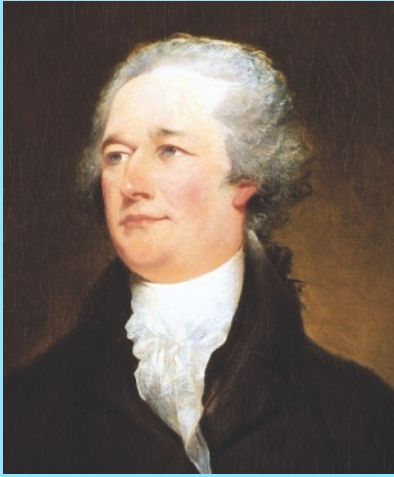
Workers live locally and trade goods.

1800s

1850s

Workers move from farms to factory jobs in cities.

Who will you meet?



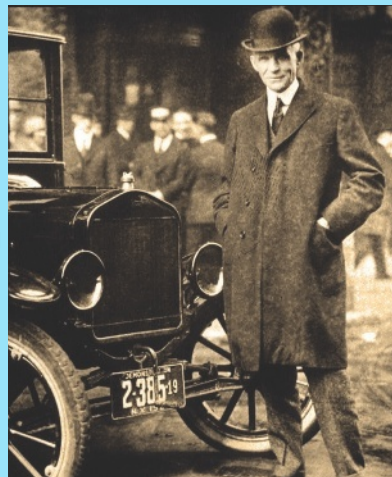
Alexander Hamilton was a political leader who believed in a strong national government and economy.



Janet Yellen is an economist who became the first female to oversee the central bank of the United States.



Yelitsa Jean-Charles is an entrepreneur known for her groundbreaking line of empowering dolls.



Henry Ford was an inventor and businessman whose automobile changed America.



INTERACTIVITY

Complete the interactive digital activity.

1900s

1930s

Workers lose jobs and the U.S. government steps in to help.

2000s

1960s

Workers gain rights for fair and equal treatment.

Present

TODAY

Workers find more jobs in services, technology, and worldwide markets.

Join the Economy: Start Your Own Business

Quest Kick Off

I'm Dion, and I own a dog walking business. My work makes me happy. I'm curious about what kind of work other kids might enjoy doing. What kind of business would you like to start? Use the information in this chapter to help you write a business plan.

1

Ask Questions

What will your business be? Will you sell something? Will you provide a service? Brainstorm a list of things you like to do and write down your ideas.

2

Build a Team

Starting a business can be hard work, so you will need help. Ask friends and family members to be on your business team. Ask them to work on tasks that you might not be ready to do on your own, such as driving to the store for supplies.



INTERACTIVITY

Complete the digital activities to get started on your business plan.

3

Look for *Quest* Connections

Begin looking for Quest Connections that will help you write your business plan.

4

Quest Findings

Write Your Business Plan

Use the Quest Findings page at the end of the chapter to help you write your business plan.

What Is the Economy?



INTERACTIVITY

Participate in a class discussion to preview the content of this lesson.

Unlock The **BIG** Question

I will know that economies exist to satisfy people's needs and wants.

Vocabulary

producer
consumer
free enterprise system
market economy
command economy
private property

Academic Vocabulary

involve
individual

Jumpstart Activity

Identify your favorite local store and the items you buy there. Explain how you, your family, and the people in your community depend on the store and the items it sells.

When you buy something or use it after you bought it, you are taking part in our economy. The economy is how the resources of an area or country are produced, delivered, and used. Every town, region, and state has an economy. Economies around the world may vary, but they all have things in common.



Needs and Wants

Economies are set up to satisfy both needs and wants. Needs are the things you must have to survive, such as food, clothing, and shelter. Wants are things you would like to have but can do without, such as a skateboard or a ticket to a movie.

There are two types of needs and wants that are called goods and services. Goods are actual products that you can buy, such as a car, apples, or shoes. Services are things that other people do for you, such as cutting your hair or giving you music lessons.

Making Choices

All economies produce, or make, goods and services for people to buy and use. A person or a company who makes a good or service to sell to others is known as a **producer**. A person or a company who buys a good or service is known as a **consumer**.

In this country, there are many different producers. That means that consumers have many choices of products and places to shop. If you decide to buy something for yourself, you could look in a store or you could shop online. Because you have choices, you might spend time deciding what to buy. Maybe you would end up buying a video game instead of a soccer ball.

Being part of an economy **involves** choices. By buying the video game, you fulfilled one of your wants. But now you have no money left to purchase a soccer ball. Buying the video game may mean that you have lost the chance to play soccer. Consumers must weigh their needs and wants before spending their money.

1. Reading Check

Categorize the following items as either needs or wants by adding them to the correct place on the chart: a bicycle, a home, shoes, a vacation, food, dance class

Academic Vocabulary

involve • v., to take into account; include

Needs	Wants
<ul style="list-style-type: none">• drinking water•••	<ul style="list-style-type: none">• lemonade•••



In a market economy, businesses decide what to manufacture, or produce. This factory worker is making windows.

Word Wise

Multiple-Meaning

Words As you have read, *market* has more than one meaning. Other words on this page have more than one meaning. Determine the meanings of the following multiple-meaning words: *enterprise*, *services*, *command*.

Types of Economies

All types of economies answer three basic questions: What goods and services should be produced? How should they be produced? For whom should they be produced?

Around the world you will find different answers to these questions. In the United States, the economy is based on the free enterprise system. A **free enterprise system** is one in which producers have the right to create any goods or services they want. The government does not tell producers what they can create or sell. Producers also set the prices and quantities for their goods and services.

Another name for a free enterprise system is a **market economy**. A market in this sense is not like a store. Instead, it refers to an entire area or country in which things are bought and sold freely.

Not every country has a market economy. Some have a command economy, such as Cuba. In a **command economy**, the government decides what goods and services can be made and sold. The government tells people and businesses how much of something to produce. Often it is the government, not the producers, that sets prices.

2. ☒ **Reading Check** Identify details about each type of economy and complete the sentences.

Types of Economies	
Market Economy	Command Economy
<ul style="list-style-type: none"> _____ decide what to produce. The government does not decide how much of a product should be made. 	<ul style="list-style-type: none"> The government tells producers what to produce. _____ decides how much of a product should be made.

Parts of the Economy


In every economy, producers use resources to create goods and services. These may be natural resources, such as trees, or human resources, such as truck drivers. They may even be capital resources, which are human-made products used to make goods and services. For example, the oven in a bakery is a capital resource.

Different parts of the United States economy use these resources to produce a variety of goods and services. Our giant economy is divided into important parts, or sectors.

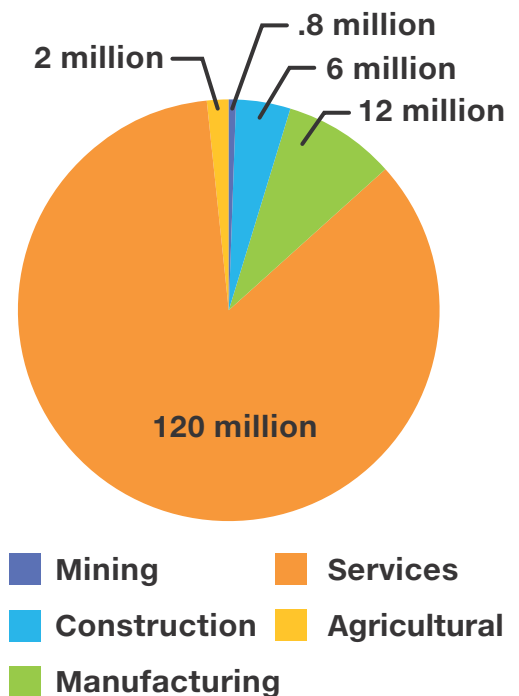
The agricultural part, or sector, grows much of the food you eat, while the mining sector provides materials such as coal for electricity. The manufacturing sector makes many of the goods your family buys. The transportation portion gets people and goods from place to place in cars, trains, and planes. The services sector includes all the people who provide services for others, such as teachers, doctors, and the person who sells you a movie ticket. The entertainment sector includes the companies and people who make the songs and films you enjoy.

Certain parts of the economy are more important in different regions. In the West, entertainment is important to California's economy. In the Southwest, ranching, or raising livestock, plays a large role in the Texas economy.

In the Midwest, manufacturing and transportation contribute to Michigan's economy. In the Southeast, mining provides many jobs in West Virginia. Tourism, which is part of the services sector, is important in Florida. The services sector is also important in the Northeast, in places like New York.

3.  **Reading Check** Analyze the chart. Compare the number of services jobs to the number of manufacturing jobs.

Jobs in the United States



*Full-time Employment Only, Numbers approximated; Source: U.S. Bureau of Labor Statistics




Alexander Hamilton was the first secretary of the U.S. Treasury, a division of the government responsible for economic rules.

Government and the Economy

Even though the United States government does not run the economy, it still has important economic responsibilities. A market economy needs certain rules. The government provides these rules. For example, people want the things they own to be protected, or secure. So the government makes stealing against the law. This is one of the ways in which the government protects **private property**, or the land, homes, stores, and goods that people or companies own. This is important in a free enterprise system, since the system is based on the buying and selling of private property.

The government also takes part in our economy as a producer and consumer. Most goods and services a government produces are public. This means everyone can use them, including those who cannot pay. Public goods include things like roads or schools. Public services include education and mail delivery. Citizens pay for public goods and services with taxes.

4.  **Reading Check** Describe what the government's activities are as a producer. Write your answers below.

The Government's Role in Our Economy

The Government Makes Laws

The government makes rules and protects private property.

The Government as Consumer

The government buys goods, such as computers and paper.

The Government as Producer



Primary Source

In what can it [the government] be so useful, as in promoting and improving the efforts of industry?


-Alexander Hamilton, *Report on Manufactures*, 1791

The government is also a consumer. As a consumer, the government buys goods and services from companies and **individuals**. For example, the government may buy planes for the navy or police cars from a private company. Or the government may buy the services of a teacher to teach at a public school.

In the United States, both the people and the government take part in the economy. Both are producers and consumers. Both provide goods and services needed in our daily lives.

Academic Vocabulary

individual • *n.*, a single human being

5.  **Reading Check** **Identify** a good and a service that the government buys by underlining the text.

Lesson 1 Check



INTERACTIVITY

Check your understanding of the key ideas of this lesson.

6. **Main Idea and Details** **Describe** the main purpose of an economy.

7. Suppose you are going camping. **Identify** four things you will bring. **Categorize** them as either a need or a want.

8. Work with a partner. **Explain** a time when you were a producer. Then **explain** a time when you were a consumer.

Make Predictions



VIDEO

Watch a video about making predictions.

When you look at a book title, you often have an idea of what that book will be about. That's because you are a smart reader! You can predict that *The Journey of a Young Boy* is going to be about a boy, not a dog. What about *A Wrinkle in Time*? Since time doesn't really have wrinkles, do you think this book is a kind of fantasy?

When you make a prediction, you make an educated guess about what is going to happen or what something will be about. It's like being a detective. You are using clues to figure something out by analyzing the information.

Suppose you were about to read Chapter 4. What clues would tell you what the chapter will be about? What does *the nation's economy* mean? The economy is how the resources of an area or country are produced, delivered, and used. You can predict that the chapter will be about how the nation makes, sells, and uses things.

Then look at the lesson titles. What word tells you that Lesson 2 will be about exchanging things? Look at the first heading in the lesson. What can you learn from it?

You can use a graphic organizer to keep track of clues and predictions as you read. Now look at the map about car manufacturing in Lesson 4 and read the "Globalization and Interdependence" section. Make a prediction about how car manufacturers in the United States and other nations are interdependent.

Clues



Prediction

Your Turn!

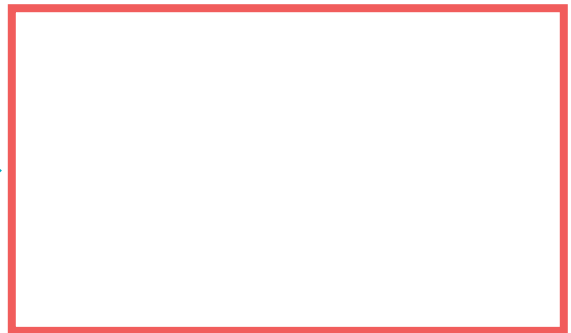
1. Skim through the title, images, and headings in Lesson 2. **Analyze** the information to make predictions on what the lesson is about.

2. **Analyze** the image at the beginning of Lesson 3. Then use the graphic organizer to make a prediction about what the lesson will be about.

Clues



Prediction



3. Think about a change that has happened in your life. Suppose you are going to write a story about it. **Identify** the title of your story and four headings that will help a reader predict what happens.

Trade and Markets



INTERACTIVITY

Participate in a class discussion to preview the content of this lesson.

Unlock The BIG Question

I will understand that businesses supply goods and services to match demand.

Vocabulary

currency
barter
inflation
profit
income
supply
demand

Academic Vocabulary

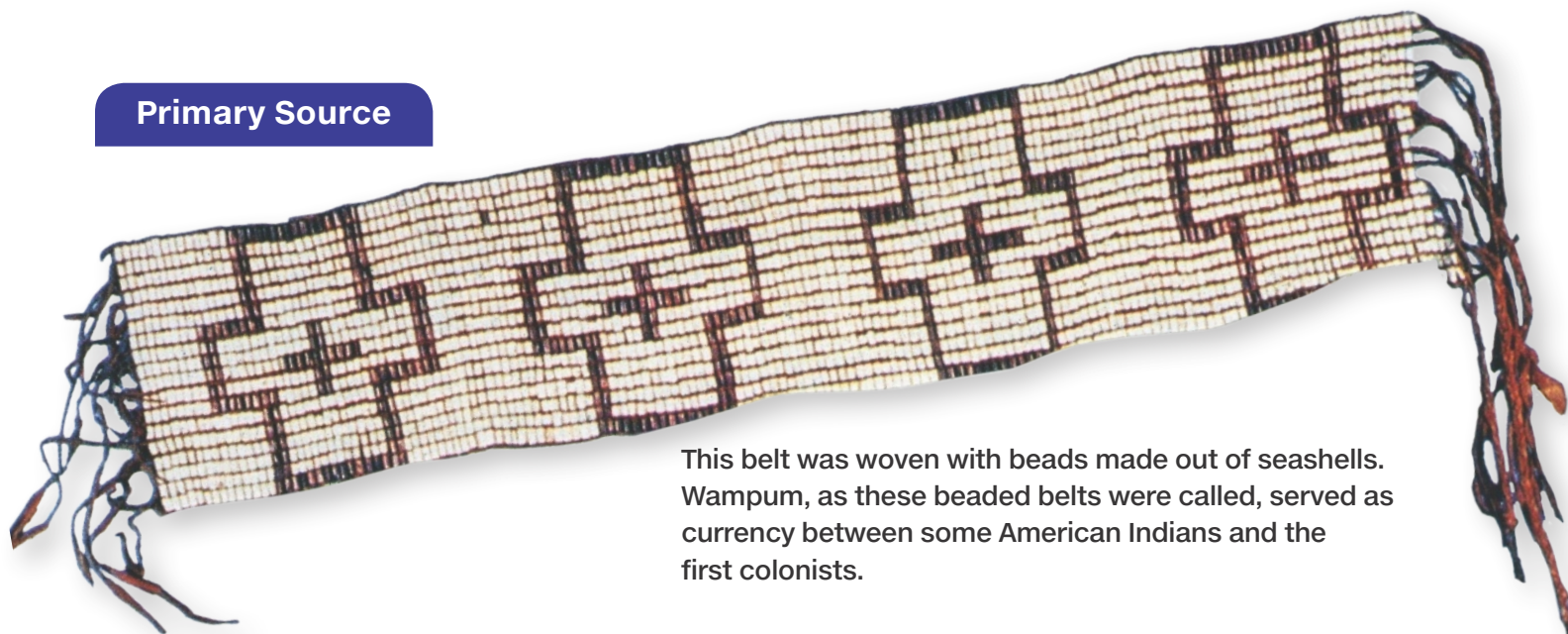
borrow
available

Jumpstart Activity

Discuss with a partner at least three ways that people can pay for the things they buy.

Long ago, items such as seashells and pieces of metal served as money. Today, paper bills and metal coins are the most common forms of currency. **Currency** is the type of money used in a particular place. In the United States, our currency is the United States dollar.

Primary Source



This belt was woven with beads made out of seashells. Wampum, as these beaded belts were called, served as currency between some American Indians and the first colonists.

Trade and Money

People have been exchanging things to get the goods and services they need and want since ancient times. Before the development of money, people would barter. To **barter** means to trade one type of good or service for another type. Animal furs, for example, might be traded for food.

Today, bartering is still used. A music teacher might trade guitar lessons to a baker. In return, the baker might give the teacher fresh bread. Both get what they need and want.

Bartering, however, has problems. What if the person who has what you need or want isn't interested in what you have to trade? That would make it impossible for a trade to happen. For this reason, modern economies use money to trade. Money can be traded for anything. Money is also easy to carry, can be divided into smaller quantities, and it is uniform, which means each piece of money is like another.

Prices and Inflation

The buying power of our currency can change as the prices of things change. Sometimes, prices go down—a pair of headphones that cost \$50 last year might cost \$40 this year. Sometimes, prices go up. Next year, the headphones might cost \$60. A rise in the usual price of many goods and services is called **inflation**.

Inflation means you can buy fewer things for the same amount of money. Headphones are a want, not a need, so the rising price of a pair wouldn't threaten people's lives. However, inflation can cause serious problems when it causes the price of needs to rise. When the cost of food, shelter, or basic clothing rises, it can be hard for families to buy the things they need. This is especially true if the money a family earns decreases or stays the same.

1. **✓ Reading Check** A video game costs \$20 before inflation in January. The same video game costs \$25 in June because of inflation. **Identify** how much you think it will cost in August if inflation continues.



These boys are trading playing cards. Each boy trades a card to get a card he wants.

Businesses and Markets

When you buy something, your goal is to satisfy a want or a need. The goal of the business you buy from is to make a profit.

Profit is the money a business has left over after it pays all its costs.

Quest Connection

What expenses might your business have? Do research on the costs of your business.




INTERACTIVITY

Explore the costs of doing business.

It might cost a bakery about \$370, for example, to make bread each day. This cost includes expenses, such as the price of flour, rent on the building, and the money paid to employees. Employees are the workers who bake and sell the bread. If the bakery makes \$470 a day in sales, then the difference, or profit, is \$100. The profit that a business earns over a period of time, such as a year, is called **income**.

Businesses want to make a profit. They try to keep costs down, since they can't always raise prices. Competition is the reason. If a business sells a product at a high price, another business may open and sell the same product at a lower price. If the first business does not lower its prices or make its product better, it may lose customers. Businesses that can't match the prices or quality of their competitors often close down.

2.  **Reading Check** This chart shows the monthly income and costs of a bakery. **Calculate** the monthly profit and write it in the chart.

Nelson's Bakery

Monthly Costs

Rent	\$3,500
Worker (Employee) Pay	\$4,200
Ingredients and Packaging	\$2,100
Equipment Rental	\$800
Electricity and Gas	\$425
Total Costs (Expenses)	\$11,025
Total Sales	\$14,100
Profit (Sales – Costs)	\$



Entrepreneurs

There are many reasons businesses fail. Competition is just one of them. Opening a new business means taking a risk. You have to spend money to rent a workspace, pay for materials, and hire employees. If the business fails, all this money will be lost.

A person who takes a risk and opens a business is called an entrepreneur. An entrepreneur believes that his or her ideas for a business can make money and are worth that risk. Many of our country's most important companies have been started by entrepreneurs. Some entrepreneurs use their own savings to start their business, while others **borrow** money from a bank or from investors. An investor is someone who loans money in the hopes of making a profit when the new business has grown. Investors gave money to Yelitsa Jean-Charles. She is a young designer who started a natural-hair doll company. The goal of her business is to promote a positive and healthy self-image for girls.


Kids can be entrepreneurs, too. Suppose you decided to create a comic book business. You might spend money on paper, art supplies, and printer ink. If you didn't sell many comic books, you wouldn't make this money back. However, if your comic books sold well, you would make this money back plus a profit. Entrepreneurs have good ideas. They are willing to take risks for the chance to see their business succeed.



Yelitsa Jean-Charles is holding the prototype, or early model, of one of her Healthy Roots dolls.

Academic Vocabulary

borrow • v., to take and use something with the agreement of returning it at a later time

3.  **Reading Check** Identify some costs of opening a new business by underlining them.

Academic Vocabulary

available • *adj.*, able to be used

Supply and Demand

A free enterprise system like the one in the United States is based on supply and demand. **Supply** is the amount of a product that businesses have **available** to sell. **Demand** is the amount of a product that consumers are willing to buy. Entrepreneurs have to be good judges of both to succeed.

The most successful businesses create products or services that have high demand. For example, if there is a product in great demand in your community, people are more likely to pay a high price for it. A business can charge a price well above what it costs to produce the item. This will result in larger profits.

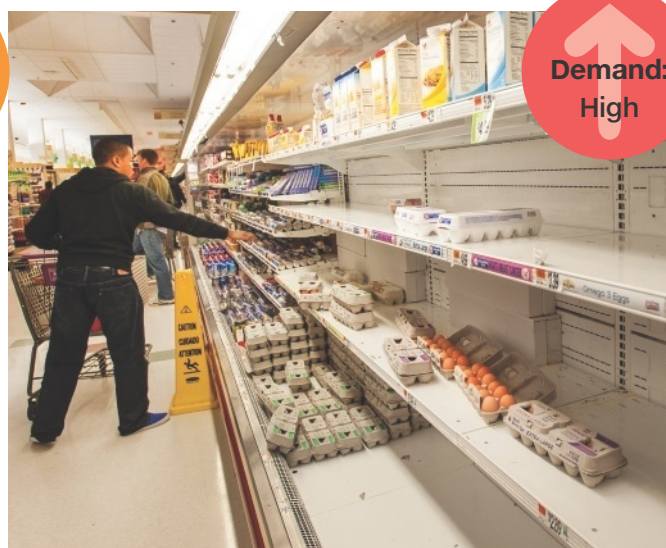
If there is low demand for a product or service, then the situation is reversed. People will not be willing to pay a high price for the item. A business will be forced to lower prices to attract customers. The business's profits may be small.

Supply will usually respond to demand in a pattern.

4.  **Reading Check** Explain why the store on the left is having a sale.
-
-



This store is having a sale on clothing.



Customers came to this store to buy supplies before a big snowstorm.

If the amount supplied is low and the amount demanded is high, the price of an item will rise. Since large profits can be made by selling the item, businesses will increase the amount that is supplied. An entrepreneur, for example, may expand his or her business to make more of a product. Then the amount supplied may increase too much, and prices will likely fall.

5. **✓ Reading Check** **Identify** and underline the sentence that tells what happens if the amount supplied is low and the amount demanded is high.



These people are lining up for a sale. A sale can increase the demand for goods.

✓ Lesson 2 Check



INTERACTIVITY

Check your understanding of the key ideas of this lesson.

6. **Main Idea and Details** **Explain** why entrepreneurs are willing to take the risk of putting their money into a new business.

7. Work with a partner. **Identify** a good or service you use. Then **discuss** what might cause the price of that good or service to go down.

8. **Understand the** **Quest** **Connections** **Think** about the product for the business you would like to start. **Explain** why there would be a demand for your product. **Describe** the kind of customers who might buy it.

People and the Economy



INTERACTIVITY

Participate in a class discussion to preview the content of this lesson.

Unlock The BIG Question

I will understand that both individuals and families make economic decisions.

Vocabulary

scarcity
opportunity cost
incentive
advertising
interest

Academic Vocabulary

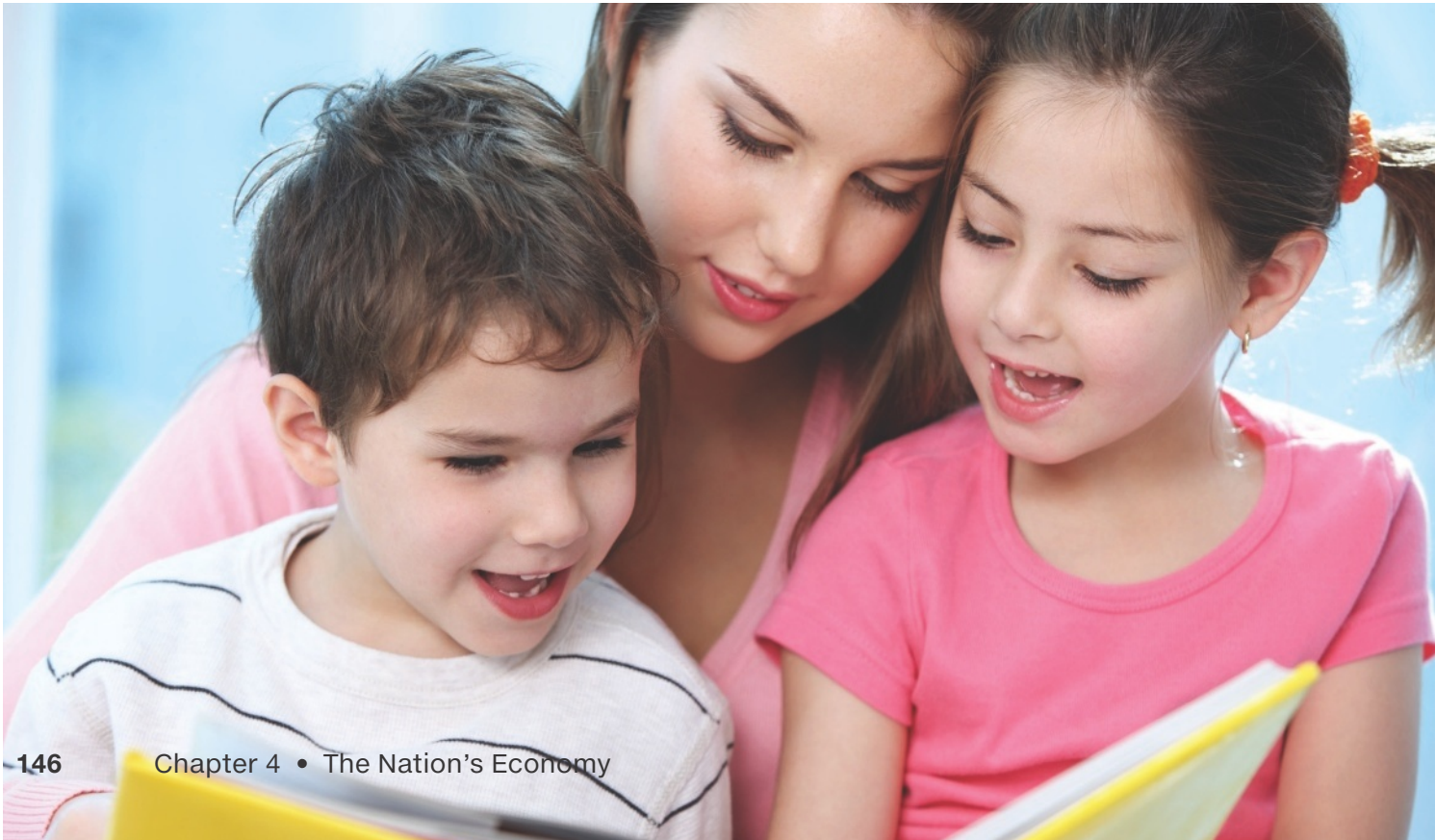
promote
prefer

Jumpstart Activity

You promised your friend you would go to the movies, but your soccer team has a game at the same time. How will you spend your day? Will you skip soccer or the movies? Explain your choice.

The economy provides you with needed goods, such as food and clothing, and also extras like movies and recorded music. Every day, you and your family take part in the economy by consuming or producing.

Babysitting is one way you can take part in the economy. You can earn money for things you need and want.



The Economy and You

When you get dressed in the morning, the clothes you wear are the result of economic activity. The clothes are produced by a business. You or someone you know made the choice to buy them. Your breakfast is also the result of economic activity and choice. Someone worked to get money to pay for the food. Someone also chose one food, such as a favorite cereal, over another food.

Economic choices are personal. You make choices all the time about your food or clothing. Should you buy the expensive pair of shoes? Maybe you should buy the cheaper pair? After all, you might outgrow them in a few months, and it would be good to save the money.

As you grow older, you will be making choices about more important economic questions. How will you pay for your basic needs? What kind of job will you have to earn money? What kind of home will you live in?


The Things We Want

Because of scarcity, we can never satisfy all our needs and wants. **Scarcity** means that the amount of a resource is limited. For example, water is scarce in a desert. You may be thirsty and want to fill your water bottle, but the water available to you is limited.

Labor can be scarce, too. During spring planting, a farmer may hire three workers to help him. Come fall, those same workers may not be available to help him with the harvest.

What if your favorite team was in the Super Bowl? Because there are a set number of seats in the stadium, and many thousands of fans who want to attend the game, those seats are scarce. The scarcity of those seats can make them costly.

For many consumers, the resource that may be scarce is money. You may come up with a list of things you want to buy, but the money to buy those things is limited, or scarce.

1.  **Reading Check** Turn and talk to a partner. **Identify** an item your family buys that you help choose.



Making Choices

If you earned money by babysitting, how would you spend it? By deciding what you want to buy, you are making a choice. Before spending your money, you must make up your mind carefully. Once the money is spent, you won't get a chance to spend it again.

The money we earn is important to us. If we are lucky, we can spend it on something we want. But for most of us, satisfying our wants must wait until we have spent money on our basic needs. This means the money we have to spend on wants is limited.

Individuals and families must take care of basic needs first. Then extra money can be spent on wants. Keep in mind that there will always be new wants. If you spend a lot on a want today, there may not be enough money to pay for future wants. Managing these wants is part of being in charge of your personal spending.

Buying something always has an **opportunity cost**. When you choose between two items, the opportunity cost is the value of the item you didn't buy. If you spend money on something now, you lose the opportunity to spend that money on something else later.

2. **✓ Reading Check** This boy has \$20 to spend. **Describe** what the opportunity cost is if he buys the baseball cap.




Incentives

Why do we choose one product or service over another? Incentives play a big part in our decision. **Incentives** are things that encourage us to take an action, such as making a purchase. Sales and coupons are incentives. A low price on an item is a monetary incentive for people to buy it. Monetary means having to do with money. A negative incentive might be a fine on an overdue library book.

People usually learn about sales through advertising. **Advertising** is the use of public notices to bring attention to a product or service. Ads may appear in newspapers and magazines, on posters and billboards, or on the radio, television, and the Internet.

Advertising also uses nonmonetary incentives to make a product seem attractive or cool. Some ads try to convince consumers that a want is really a need. Ads can appeal to your emotions, making you think that you'll feel good if you purchase a product or service. Eye-catching packaging can make one product seem more attractive than another.

Location is an incentive, too. A restaurant owner may choose a street with convenient parking as an incentive to attract customers. Manufacturers try to **promote** their products by putting them near the cash registers so that it is easy for shoppers to see and buy the items.

3.  **Reading Check** Analyze and identify each type of incentive shown below as *monetary* or *nonmonetary* by labeling it.



Quest Connection

Get creative.
Design an
advertisement for
your business.



INTERACTIVITY

Take a closer look at
advertising.

Academic Vocabulary

promote • v., to make
widely known

Academic Vocabulary

prefer • v., to like something better than another

Making a Living

To provide for their wants and needs, most people must have an income, which is money people make from work or from property or businesses they own. The need for money is an incentive to find work.

Incentives play a role in job choice, too. The location of the job is one. Many people **prefer** jobs that are close to home. Income is another incentive. People usually prefer jobs that pay more money. However, the income a person can earn depends on many things. High-paying jobs often require special skills and education. Doctors, for example, need many years of college and training to learn their skills.



Janet Yellen

Banking and Saving

Most people keep the income they earn in a bank. Banks are a safe place for people to save money. Banks are also businesses that lend money. Banks take the money people save and give it out as loans to borrowers, who must pay it back over time. The federal government has a bank, too. It is run by the Federal Reserve. Janet Yellen was the first woman to oversee the Federal Reserve.

Primary Source

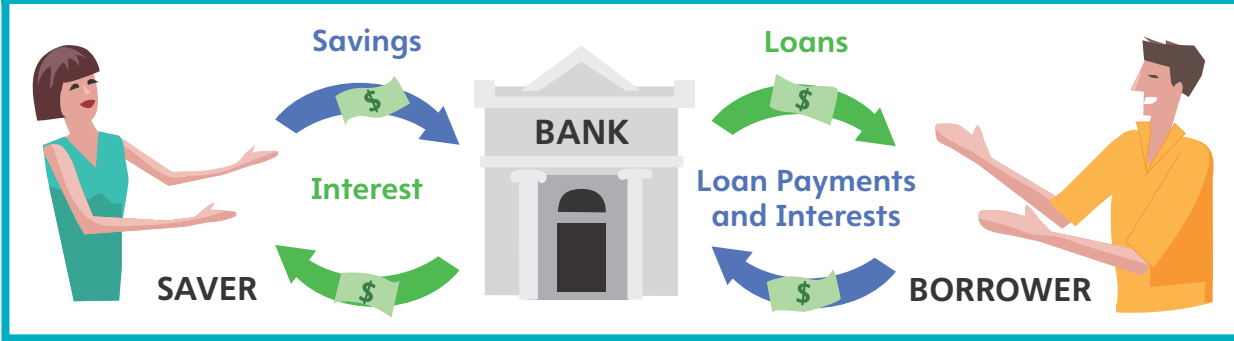
If there is a job that you feel passionate about, do what you can to pursue that job. . .

—Janet Yellen, “NYU Commencement Remarks,” 2014

Since banks need money from savers to loan out, they provide an incentive. When you keep money in a bank, the bank pays you extra money called **interest**. Interest is added to your account regularly, usually once a month. This can make saving money a better choice than spending it.

Some people use their savings to buy stocks, or portions of a company. Stocks are risky as their value can change. Stock owners can make money if they sell their stocks when the value is high, but lose money if they sell at a low value.

Saver and Borrower



4. **✓ Reading Check** Explain how banks benefit savers, bankers, and borrowers.

✓ Lesson 3 Check



INTERACTIVITY

Check your understanding of the key ideas of this lesson.

5. **Main Idea and Details Compare** nice packaging and store sales. What do they have in common?

6. Suppose your school's basketball team has a scarcity of uniforms. **Describe** a way you can work with others to get the supplies you need.

7. **Understand the Quest Connections** Think of the product or service your new business will offer. **Identify** some incentives you could use to encourage customers to buy.

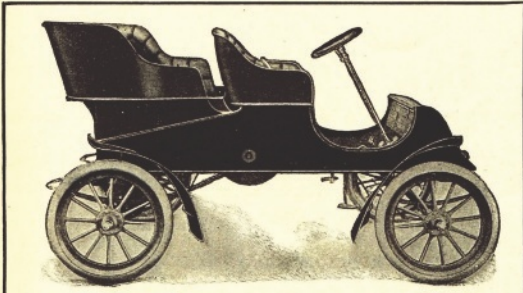


Henry Ford, Entrepreneur

You have read about entrepreneurs. These are business people who take great risks because they believe in the worth of their good or service. Entrepreneurs have started many of our country's most important companies.

One important entrepreneur was Henry Ford. He founded the Ford Motor Company in Detroit, Michigan, in 1903. At the time, few people owned cars or "horseless carriages," as they were called. They were too expensive to make and buy. Ford had a dream to create a vehicle that everyone could afford. Today, the company sells more than six million cars a year.

***The Latest and Best
Boss of the Road***



THIS new light touring car fills the demand for an automobile between a runabout and a heavy touring car.

It is positively the most perfect machine on the market, having overcome all drawbacks such as smell, noise, jolt, etc., common to all other makes of Auto Carriages.

It is so simple that a boy of 15 can run it.

For beauty of finish it is unequaled—and we promise

IMMEDIATE DELIVERY

THE FORDMOBILE \$850
... with detachable tonneau ...

We haven't space enough to enter into its mechanical detail, but if you are interested in the NEWEST and MOST ADVANCED AUTO manufactured to-day write us for particulars.

FORD MOTOR CO.
692 MACK AVENUE DETROIT, MICH.

A 1903 advertisement for a Ford car

Vocabulary Support

for the majority of the population

engineering, *n.*, the planning, designing, and construction of machinery

devise, *v.*, to work out or create

salary, *n.*, a fixed regular payment for work; income

"I will build a car for the great multitude.

It will be large enough for the family, but small enough for the individual to run and care for.

It will be constructed of the best materials, by the best men to be hired, after the simplest designs that modern **engineering** can **devise**.

But it will be so low in price that no man making a good **salary** will be unable to own one..."

- Henry Ford, *My Life and Work*, 1922

Close Reading

1. **Identify** and underline a place where Ford refers to resources. Circle a place where he refers to pricing.
2. **Analyze** the advertisement. **Identify** one way it tries to get people to buy a Ford.

Wrap It Up

Henry Ford took great risks to change the way cars were made. Do you agree that it is important to take risks in business? Why or why not?

A Global Economy



INTERACTIVITY

Participate in a class discussion to preview the content of this lesson.

Unlock The BIG Question

I will understand how global trade affects my life.

Vocabulary

innovation
import
export
division of labor
specialization
productivity
outsourcing

Academic Vocabulary

task
benefit

Jumpstart Activity

Think about what would need to be done to clean up your classroom. Then make a plan for how you could divide the project into smaller jobs.

Some of the goods that your family uses probably come from your community. The milk might come from a local dairy or the bread from your neighborhood bakery. Most goods, however, come from other places. Your community is connected to the whole world in a web of trade.

Today, many goods are shipped in huge containers on large cargo ships.



Trade Then and Now

Transportation is what makes trade and services between different places possible. Agricultural products from the countryside can be brought to the city. Goods from city factories can be brought to the countryside. Georgia peaches can be bought in Illinois. A package from Texas can be delivered to a business in Michigan. No single place can provide everything that the people who live there need. Each region depends on the others.

Trade has existed for many thousands of years. However, while it once took barges, wagons, and stagecoaches weeks and months to make a delivery, a jet plane can now cross those same distances in hours. Today's cargo ships can hold more goods than ever before. They can transport those goods far more cheaply, too. More goods are shipped and received around the world than at any other time in history.

New Technologies

Supersized boats, jumbo jets, and high-speed trains are all transportation **innovations**, or new inventions or ways of doing things. These innovations have helped bring the world closer together.


Innovations have changed communications, or the sharing of information, too. Computers, the Internet, and e-mail have made global communication faster and cheaper. Information from one place can move to another place almost instantly.

Both communication and transportation innovations allow companies to do business in countries around the world. They can buy resources in different places. Businesses can have factories in different nations. In the past, bosses may have spent long hours traveling to their company's factories. Now, they can run those factories using a video camera.

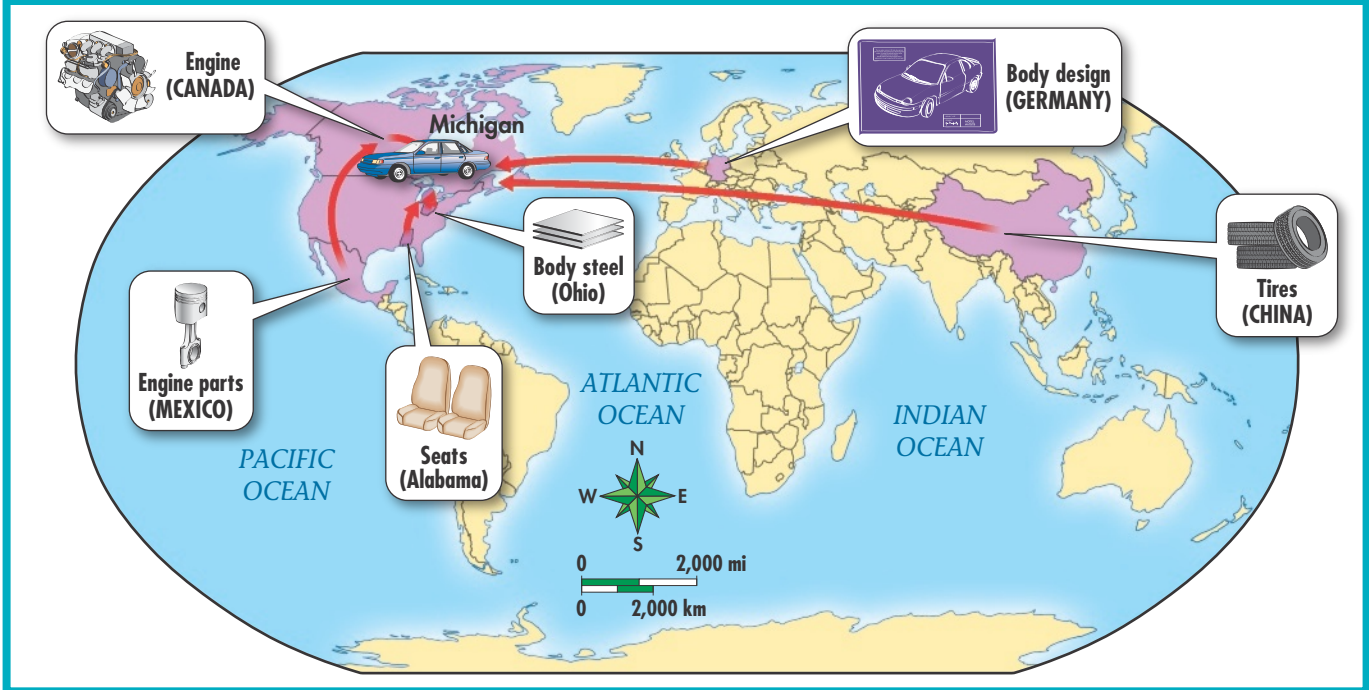
These innovations affect your life every day. Your computer may have been made in China, with parts from the United States. You can snack on strawberries in winter because they were grown in a part of the world where it is summer.

Word Wise

Word Origins The word *cargo* comes from two Latin words: *carcare* meaning “to load” and *caruus* meaning “wagon or vehicle.” How does the word origin help to determine the meaning of *cargo*?

1.  **Reading Check**
Identify a communication innovation and explain how it affects your life. Discuss with a partner.

Car Manufacturing



2. Reading Check

Main Idea and Details

The map shows a car being made in Michigan.

Explain to a partner how the car is an example of globalization.

Globalization and Interdependence

The process through which goods and ideas spread between different countries is called globalization. Recently, the import and export of goods and services around the world has made trade grow. **Imports** are goods that are brought in from another country to be sold here. **Exports** are goods that are shipped to another country to be sold there. For example, bananas and figs might be imported into the United States, while wheat and apples may be exported to other countries.

Globalization makes the consumers and producers of different countries more connected to one another. A company can use parts or services from all over the world to create a product, such as the car on the map.

To do this, the company can have factories and workers in many places making the product. It can then sell this product to consumers almost anywhere. Through globalization, the world has become one giant market. This economic connection between countries is called interdependence. It means that one country's economy relies upon the economies in other countries to succeed.

Specialization and Productivity

The map of car manufacturing is also an example of the **division of labor**, or the separation of a work process into a number of different jobs. In a car factory, one group mounts the car's engine while another paints the body. The **task** of building the car has been split into different steps.

Division of labor is what allows for **specialization**. Specialization is the ability of a company, group, or person to focus on a single task. Focusing on a single job helps make people faster and more skilled at what they do. The people who mount car engines don't have to learn how to paint the car properly. Specialization often leads to innovation. Someone who is an expert at something is more likely to figure out ways to improve the product or process.

Specialization and the division of labor can also lead to greater **productivity**. Productivity is the amount a company can produce with a certain amount of labor. A person who only paints cars can paint more cars faster than a person who does other jobs as well.

Greater productivity can bring economic growth. A car company that increases productivity can supply more cars in the same amount of time. This means that the cars are probably cheaper to produce. The cost savings get passed on to consumers, which increases demand for the cars. It also means that consumers have more money to spend on other goods, such as food and clothes.

Academic Vocabulary

task • *n.*, a piece of work to be done

Primary Source



Henry Ford was one of the first business owners to use division of labor in his car factories.

3. ☒ Reading Check

Analyze the photo. Then **identify** different jobs that the division of labor creates by circling them.



Academic Vocabulary

benefit • *n.*, an advantage gained from something

The Benefits and Costs of Globalization

Globalization has many **benefits**. For the consumer, globalization means more choices. At the mall, you can choose from a vast selection of clothes and electronics. Because of globalization's division of labor, you can often buy these goods for less than you would if they were made entirely in the United States. If a part can be made more cheaply in another country, that lowers the cost of the entire product for you.

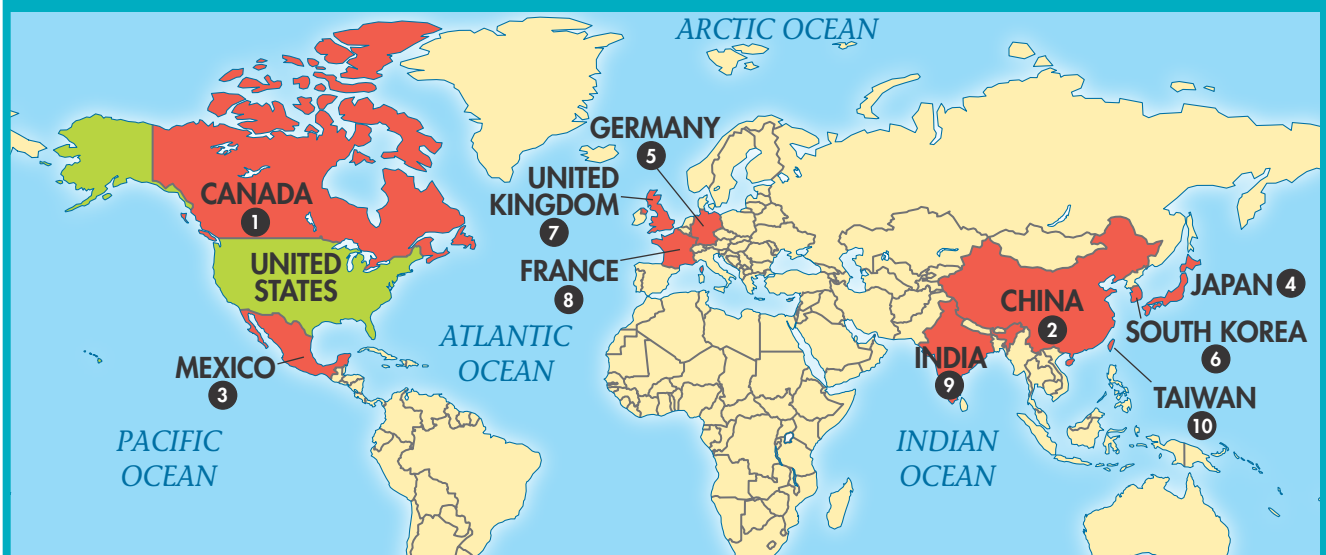
Globalization can also increase the number of jobs. If consumers in other countries can afford to buy American goods, it means American companies need to hire more workers to create, sell, and ship these goods.

Globalization has costs, too. It increases competition for sales and jobs. For example, strawberry farmers in the United States must compete for sales with strawberry farmers in Mexico. Although some jobs are gained, others are lost. If workers in another country will work for less money than workers in the United States, American companies may move jobs to that country. This process of hiring people to work outside of a company is called **outsourcing**. Globalization has led to competition among different countries for a share of the world's jobs. Globalization has environmental costs as well. For example, jet fuel, which is used to fly goods across the ocean, pollutes the air.

4. Reading Check

Analyze the map. Compare the number one and two trading partners of the United States. How are they different? Discuss with a partner.

The Top United States Trading Partners, 2017



5.  **Reading Check** Identify some benefits and costs of globalization.

Globalization	
Benefits	Costs
<hr/>	<hr/>
<hr/>	<hr/>
<hr/>	<hr/>
<hr/>	<hr/>
<hr/>	<hr/>
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 **Lesson 4 Check**



INTERACTIVITY

Check your understanding of the key ideas of this lesson.

6. **Cause and Effect** Explain how specialization leads to better-quality products.

7. Suppose you wanted to make and sell toys. **Describe** the materials and workers you would need to create your product.

8. **Explain** how you use division of labor at home.

Analyze Costs and Benefits

When we are making a decision, we need to analyze the costs and benefits of that decision. A cost is what you give up when you decide to do something. A benefit is what you gain by making a decision.

Conducting a cost-benefit analysis is a key part of making a decision. For example, when you are choosing a job, there are both costs and benefits to consider. Income is a major consideration. Most people prefer jobs that pay more money.

One benefit would be having more money to buy the things you want and need. However, high-paying jobs often require special skills and education. The cost of spending extra time and money might outweigh the benefits.

Read the paragraph below that identifies another situation that had costs and benefits. It involves an economic shift that happened in the United States.

The suburbs experienced a housing boom after World War II.

After World War II, many servicemen and servicewomen came back to the United States. Many of them settled in the suburbs, or neighborhoods outside of cities. New homes needed to be built. Building new homes provided jobs to people who worked in the construction industry. But, valuable farmland was lost in the process. This hurt small family farmers. Construction also destroyed trees and wetlands, killing birds and fish. Still, there were benefits to having so many new homes. The cost of housing was very low.

Your Turn!

1. Use the graphic organizer to summarize the costs and benefits of the situation described in the paragraph. Include information about costs in the first column and write about benefits in the second column.



VIDEO

Watch a video about analyzing costs and benefits.

Costs	Benefits

2. Go back to Lesson 3 and re-read the section titled “Banking and Saving.” Use the graphic organizer to summarize the costs and benefits of buying stocks. If the costs and benefits are not clearly stated, try to draw conclusions.

Costs	Benefits

3. Choose an event that is currently going on in your school or community and conduct a cost-benefit analysis. Use a separate piece of paper and organize your work in a graphic organizer like the ones you completed on this page.

Quality: Problem Solving



Bill Gates (1955–)

Professional Problem Solver

William Henry “Bill” Gates was born in Seattle, Washington, in 1955. When he was growing up, computers were rare and not many people used them. They were huge, expensive machines that could take up an entire room. Mostly large companies, the government, and universities used computers.

When he grew up, Gates formed a company called Microsoft with his friend Paul Allen. The two men began creating software for a new type of computer. This computer was smaller and meant for homes and offices. It was called the personal computer, or PC.

At the time, PC makers needed a type of software called an operating system. This is the basic program a computer needs to run. Without an operating system, a computer is not that useful. With an operating system, however, a computer can do all kinds of amazing things. In 1981, Microsoft made an operating system for IBM, one of the world’s biggest computer makers.

By the 1990s, Microsoft software was on millions of computers all over the world. The company provided jobs for thousands of people, including computer programmers, designers, and accountants. Today, Microsoft’s products are used on nearly every continent.

Find Out More

1. Identify the problem Bill Gates was faced with and how he solved it.

2. Bill Gates helped to solve a problem. Follow your teacher’s directions to identify and research a problem in your community. How did it start? How do you think it could be solved?



Visual Review

Use these graphics to review some of the vocabulary, people, and ideas from this chapter.

Supply and Demand

Consumers buy *more* of a good when its price goes down.
They buy *less* of a good when its price goes up.

When price
goes down...



...Demand
goes up.



When price
goes up...



...Demand
goes down.



Globalization

Benefits

Increase in some jobs

Increase in sales of some products

Greater availability of goods

Lower price of goods

Costs

Loss of some jobs

Loss of sales in some areas

Increase in harm to environment

Assessment


GAMES

Play the vocabulary game.

Vocabulary and Key Ideas

1. **Identify** the definition for each word.

a rise in the prices of many goods and services

inflation

the amount of a product that businesses have to sell

currency

the type of money used in a particular place

supply

2. **Explain** why an entrepreneur is willing to take risks.

3. **Categorize** items in the list below. Underline each want. Circle each need.
food, movie tickets, shelter, skating lessons

4. **Describe** how savers benefit from using a bank.

5. **Analyze an Image Explain** what tools this farmer is using to sell her pumpkins.



Critical Thinking and Writing

6. **Identify** what describes the free enterprise system.

_____ can decide what goods or services to sell.

7. **Main Idea and Details Describe** a problem with the barter system that the use of currency solved.

8. **Form Opinions** Do you agree or disagree with the following statement: All goods made locally are better than those made thousands of miles away. Explain your answer.

9. **Revisit the Big Question** What is the role of musicians in our economy? Do they meet a need or a want?

10. **Writing Workshop: Write a Narrative** Think about your future role in the United States economy. On a separate piece of paper, write two or three paragraphs about how you can prepare yourself to take part in it.

Analyze Primary Sources

“I believe that if you show people the problems and you show them the solutions they will be moved to act.”
-Bill Gates, Live 8, July 3, 2005

11. Rephrase what Bill Gates said here in your own words.

Analyze Costs and Benefits

12. As you have learned, specialization is the ability of a company, group, or person to focus on a single task. In the graphic organizer below, the benefits of specialization have been summarized for you. Think about a possible cost of specialization. Fill out the column with your analysis.

Costs	Benefits
<hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>	With specialization, a person can become an expert in a task, which may lead to innovation. He or she also can focus more and, therefore, move faster, which increases productivity.

Quest Findings



INTERACTIVITY

Use this activity to help you prepare to write your business plan.

Write Your Business Plan

You've read the lessons in this chapter and now you're ready to write your business plan. Remember that the goal of your plan is to explain what your business will do and how it will fill a need in your community.

1

Prepare to Write

Write down the name of your business. List the resources and supplies your business will need. Then write a sentence explaining why the business is important. This outline will help you write your plan.

2

Write a Draft

Use your outline and the answers from your Quest Connections to write the best business plan you can. Make sure your plan answers these questions:

- What is the name of your business?
- What does your business do?
- How will you advertise your business?
- Why is your business important or needed?

3

Share With a Partner

Exchange your draft business plan with a partner. Invite your partner to ask questions about your plan and to make suggestions. When it is your turn, politely do the same.

4

Revise

Make changes to your business plan after meeting with your partner. Correct any grammatical or spelling errors, or make changes to content if you need to.

