

Key to Ability Levels

BL	Below level	AL	Above level
OL	On level	ELL	English Language Learners

Key to Teaching Resources

	Print Material		DVD
	CD-Rom		Transparency

Levels				Resources		Chapter Opener	Section 1	Section 2	Section 3	Chapter Assess
BL	OL	AL	ELL	FOCUS						
BL	OL	AL	ELL		Daily Focus Skills Transparencies		91, 93, 94, 95	90	92, 97	
TEACH										
BL	OL		ELL		Guided Reading Activities*		p. 52	p. 53	p. 54	
BL	OL	AL	ELL		Economic Content Vocabulary Activities*		p. 18	p. 18	p. 18	
	OL	AL			Critical Thinking Activities		p. 26	p. 15		
BL	OL		ELL		Reading Essentials and Note-Taking Guide*		p. 154	p. 157	p. 160	
		AL			Enrichment Activities			p. 18		
	OL	AL			Free Enterprise Activities		p. 25	p. 25		
BL	OL	AL	ELL		Economic Cartoons		p. 29			
BL	OL	AL	ELL		Math Practice for Economics			p. 25		
	OL	AL			BusinessWeek Focus on the Global Economy		pp. 2, 17	pp. 36, 38		
BL	OL		ELL		High School Reading in the Content Area Strategies and Activities	✓	✓	✓	✓	✓
BL	OL	AL	ELL		High School Writing Process Transparencies	✓	✓	✓	✓	✓
BL	OL	AL	ELL		Writer's Guidebook	✓	✓	✓	✓	✓
BL	OL	AL	ELL		StudentWorks Plus CD-ROM	✓	✓	✓	✓	✓
BL	OL	AL	ELL		Vocabulary PuzzleMaker CD-ROM	✓	✓	✓	✓	✓

*Also available in Spanish

Planning Guide

- Interactive Lesson Planner
- Interactive Teacher Edition
- Fully editable blackline masters
- Economics & You videos

- Differentiated Lesson Plans
- Printable reports of daily assignments
- Standards tracking system

Levels				Resources		Chapter Opener	Section 1	Section 2	Section 3	Chapter Assess
BL	OL	AL	ELL	TEACH (continued)						
BL	OL	AL	ELL	Economics & You Video Program DVD— <i>Global Economic Challenges</i>	✓	✓	✓	✓	✓	✓
BL	OL	AL	ELL	Graph Coach CD-ROM	✓	✓	✓	✓	✓	✓
Teacher Resources				Differentiated Instruction Strategies	✓	✓	✓	✓	✓	✓
				Success with English Learners	✓	✓	✓	✓	✓	✓
				Presentation Plus! CD-ROM	✓	✓	✓	✓	✓	✓
ASSESS										
BL	OL	AL	ELL	Section Quizzes and Chapter Tests		p. 225	p. 226	p. 227	pp. 229, 233	
BL	OL	AL	ELL	Authentic Assessment Strategies and Activities		p. 25				
BL	OL	AL	ELL	ExamView® Assessment Suite CD-ROM		18-1	18-2	18-3	Ch. 18	
BL	OL	AL	ELL	Interactive Tutor Self-Assessment CD-ROM		18-1	18-2	18-3		
CLOSE										
BL			ELL	Reteaching Activities*		p. 18	p. 18	p. 18		
BL	OL		ELL	Reading and Study Skills Foldables		p. 66	p. 66	p. 66		
BL	OL	AL	ELL	Graphic Organizer Transparencies		p. 39				

*Also available in Spanish

ActivityUsing the
McGraw-Hill
Learning Network**Presentation Builder****Technology Product**

Presentation Builder is a convenient and dynamic McGraw-Hill Learning Network tool to create online presentations. Use the Presentation Builder to

- create your own presentation slides;
- insert graphics from your Glencoe textbook;
- distribute presentations to students using **Assignments** from the *Classroom Tools*.

Steps

- On the McGraw-Hill Learning Network home page (www.mhln.com), log in as a member.
- Choose **Presentation Builder** under **Resources**.
- Click the **New Presentation** button.
- Enter a title in the **Presentation Title** box, and then follow the prompts to select colors and fonts.
- Click the **Next** button and select a slide. Follow the prompts to insert information and complete the

slide. The text boxes automatically adjust in size to accommodate the length of each question.

- Click the **Add Slide** button if you have additional presentation information, and follow the prompts.
- Click **Review Presentation** when you are done.
- Click **View Presentation** to review the presentation in a pop-up window.
- Click on an underlined slide title to edit slides; use the drop-down keys to change the order of the slides; push the **Delete** button to delete a slide; and press **Insert Slide** to add a slide.
- Click the **Save** button when you are satisfied with your presentation. The presentation is saved to your **File Cabinet** and can be distributed to students through **Assignments**.

	Student	Teacher	Parent
Beyond the Textbook	●	●	●
Chapter Overviews	●	●	●
ePuzzles and Games	●		●
Concepts in Motion	●		●
Multi-Language Glossaries	●		●
Online Student Edition	●	●	●
Self-Check Quizzes	●		●
Student Web Activities	●		●
Study Central™	●		●
Time Current Events	●	●	●
Teaching Today		●	
Vocabulary eFlashcards	●		●
Web Activity Lesson Plans		●	

Glencoe Media Center

› glencoe.com

Study-To-Go

- Vocabulary eFlashcards
- Self-Check Quizzes

› **Audio/Video**

- Student Edition Audio
- Spanish Summaries
- Economics & You Videos

Additional Chapter Resources



- **Timed Readings Plus in Social Studies** helps students increase their reading rate and fluency while maintaining comprehension. The 400-word passages are similar to those found on state and national assessments.
- **Reading in the Content Area: Social Studies** concentrates on six essential reading skills that help students better comprehend what they read. The book includes 75 high-interest nonfiction passages written at increasing levels of difficulty.
- **Reading Social Studies** includes strategic reading instruction and vocabulary support in Social Studies content for both ELLs and native speakers of English. www.jamestowneducation.com

Reading
List Generator
CD-ROM



Use this database to search more than 30,000 titles to create a customized reading list for your students.

- Reading lists can be organized by students' reading level, author, genre, theme, or area of interest.
- The database provides Degrees of Reading Power™ (DRP) and Lexile™ readability scores for all selections.
- A brief summary of each selection is included.

Leveled reading suggestions for this chapter:

For students at a Grade 10 reading level:

- *Globalization*, by Adam Hibbert

For students at a Grade 11 reading level:

- *Globalize It!: The Stories of the IMF, the World Bank, and the WTO*, by Brendan January

For students at a Grade 12 reading level:

- *The Internet*, by Helen Cothran

* Review suggested books before assigning them.



National Council on Economic Education

Voluntary Standards Emphasized in Chapter 18

Content Standard 4 People respond predictably to positive and negative incentives.

Content Standard 5 Voluntary exchange occurs only when all participating parties expect to gain. This is true for trade among individuals or organizations within a nation, and among individuals or organizations in different nations.

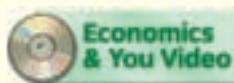
Resources Available from NCEE

- Virtual Economics®: An Interactive Center for Economic Education Version 3.0
- Civics and Government: Focus on Economics, Second Edition
- Economies in Transition: Command to Market
- From Plan to Market
- Focus: Economic Systems

To order these materials, or to contact your State Council on Economic Education about workshops and programs, call 1-800-338-1192 or visit the NCEE Web site at store.ncee.net.

The BIG Ideas

As students study the chapter, remind them to consider the chapter-based Big Ideas. The **Essential Question** in the chapter launch activity below ties in to the Big Ideas and helps students think about and understand important chapter concepts. In addition, the Hands-On Chapter Project relates the content from each section to the Big Ideas. The steps in each section build on each other and culminate in the Wrap-Up Activity on the Visual Summary page.



To generate student interest and provide a springboard for class discussion, access the Economics & You Topic 26 video, **Global Economic Challenges**, at glencoe.com or on the video DVD.

FOLDABLES®
Study Organizer**Dinah Zike's Foldables**

three-dimensional, interactive graphic organizers that help students practice basic writing skills, review key vocabulary terms, and identify main ideas. Have students complete this chapter's Foldable activity or activities in *Dinah Zike's Reading and Study Skills Foldables* booklet. **OL**

CHAPTER

18**Global Economic Challenges****Why It Matters**

Have you decided what you want to be "when you grow up"? What factors are you considering when making your plans for the future? Which career interests you the most? How will you decide? List the advantages and disadvantages of your top two career choices. Share your reasoning with other students in your class. Read Chapter 18 to find out how globalization affects your personal choices as well as those of businesses and nations.

The BIG Ideas

1. The study of economics helps us deal with global economic issues and global demand on resources.
2. Scarcity is the basic economic problem that requires people to make choices about how to use limited resources.

Many U.S. manufacturers use components produced in overseas factories, such as this Deere parts manufacturing plant in Macau.

500 UNIT 5



Economics ONLINE Chapter Overview Visit the *Economics: Principles and Practices* Web site at glencoe.com and click on *Chapter 18—Chapter Overviews* to preview chapter information.

Economics ONLINE

Introduce students to chapter content and key terms by having them access *Chapter 18—Chapter Overviews* at glencoe.com.

Activity: Launching the Chapter

Speculating Ask students to name ways in which they learn about events that happen in other countries. Most will mention cable TV and the Internet. **Essential Question:** *How are we affected by our ability to learn, almost instantly, about an event that occurs anywhere in the world?* (Most students will say that this capability makes the world seem much smaller than it did a generation ago.) **Ask:** *What effect do you think this "smaller world" will*

have on the world economy? (Many students will say that economic changes in one part of the world will inevitably and more readily cause changes in other parts of the world.) Tell students that this chapter examines the ways a "smaller world" has influenced—and will continue to influence—the global economy. **OL**

GUIDE TO READING

Section Preview

In this section, you will learn that globalization leads to growing interaction among countries and the development of international organizations.

Content Vocabulary

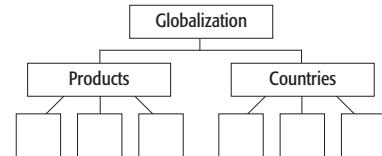
- globalization (p. 501)
- multinational (p. 502)
- outsourcing (p. 503)
- General Agreement on Tariffs and Trade (GATT) (p. 504)
- division of labor (p. 504)
- comparative advantage (p. 504)
- European Coal and Steel Community (ECSC) (p. 505)
- Free Trade Area of the Americas (FTAA) (p. 506)

Academic Vocabulary

- strategy (p. 504)
- context (p. 504)

Reading Strategy

Explaining As you read the section, complete a graphic organizer similar to the one below by explaining how globalization affects products and countries.



COMPANIES IN THE NEWS

Name That Company

Founded in 1868 and based in Camden, N.J., I'm a global maker of soups, snacks, vegetable-based beverages, premium chocolate and more. My brands include Godiva, Pace, Pepperidge Farm, Prego, Swanson, and V8. I invented condensed soup in 1897. I rake in more than \$7 billion in annual sales. The colors on my soup cans were inspired by the Cornell football team's uniforms in 1898. Americans consume about 2.5 billion bowls of my top three soups each year. I sell watercress and duck gizzard soup in China. Who am I? ■

(Answer: Campbell Soup)

—The Motley Fool



One of the most important trends in the world today is **globalization**—the movement toward a more integrated and interdependent world economy. Globalization, as the news story shows, means that people in any country can purchase products made anywhere else in the world.

Globalization is taking place because of the voluntary decisions we make as consumers. People today are buying more foreign products, and firms are extending their operations on a global scale. Both actions have important consequences for our future economic well-being.

globalization
the movement toward a more integrated and interdependent world economy

CHAPTER 18 Global Economic Challenges 501

Focus

Bellringer

Daily Focus Transparency 91

FOCUS ACTIVITIES Transparency 91					
GLOBAL INTERDEPENDENCE					
Top U.S. Trading Partners (October 2006)*					
Rank	Country	Exports (\$ billions) (Date)	Imports (\$ billions) (Date)	Total, U.S. (\$ billions)	Percent of U.S. Total Trade
1	United States	566.6	1,299.6	2,866.2	100.0%
2	China	105.1	105.1	210.2	7.3%
3	Japan	104.5	105.8	210.3	7.5%
4	Germany	89.8	112.9	202.7	7.2%
5	South Korea	78.9	112.9	191.8	6.7%
6	United Kingdom	78.9	112.9	191.8	6.7%
7	France	70.7	112.9	183.6	6.5%
8	Canada	20.3	32.3	52.6	1.9%
9	Italy	16.2	32.3	48.5	1.7%
10	Australia	15.2	34.3	49.5	1.7%
11	Spain	15.2	34.3	49.5	1.7%
12	Belgium	12.5	34.3	46.8	1.6%
13	Netherlands	12.5	34.3	46.8	1.6%
14	Switzerland	12.5	34.3	46.8	1.6%
15	Portugal	10.8	34.3	45.1	1.6%
16	Hong Kong	10.8	34.3	45.1	1.6%
17	Malta	10.8	34.3	45.1	1.6%
18	Other	10.8	34.3	45.1	1.6%

*Data from U.S. Census Bureau. Exports and imports are in billions of dollars.

1. What was the total value of exported goods to all countries? How does this compare to imports?

2. How does this graph show the interdependency between the United States and countries around the world?

GUIDE TO READING

Answers to Graphic:

Products: more products from other countries become available, price competition heats up because of lower costs in some foreign countries, more markets open up for American products as barriers to free trade disappear

Countries: become more interdependent, regional economic integration spreads, political opposition to globalization grows

Resource Manager

R Reading Strategies	C Critical Thinking	D Differentiated Instruction	W Writing Support	S Skill Practice
Teacher Edition <ul style="list-style-type: none"> • Inferring, p. 503 • Previewing, p. 504 • Making Connections, p. 505 Additional Resources <ul style="list-style-type: none"> • Guid. Read. Act., p. 52 • Read. Ess. & Note-Taking Guide, p. 154 	Teacher Edition <ul style="list-style-type: none"> • Evaluating, pp. 503, 508 • Defending, p. 504 • Contrasting, p. 506 Additional Resources <ul style="list-style-type: none"> • Crit. Think. Act., p. 26 • Bus. Focus on the Global Economy, pp. 2, 17 	Teacher Edition <ul style="list-style-type: none"> • ELL, p. 502 • Special Ed., p. 506 • Adv. Learners, p. 507 Additional Resources <ul style="list-style-type: none"> • Free Enterprise Act., p. 25 • Authentic Assess., p. 25 	Teacher Edition <ul style="list-style-type: none"> • Descriptive Writing, p. 502 • Personal Writing, p. 503 Additional Resources <ul style="list-style-type: none"> • Writer's Guidebook • Reading and Study Skills Fold., p. 66 	Teacher Edition <ul style="list-style-type: none"> • Using Tables and Charts, p. 505 Additional Resources <ul style="list-style-type: none"> • Graphic Org. Trans., p. 39 • Daily Focus Trans. 91, 93, 94, 95 • Econ. Content Vocab. Act., p. 18

Teach

W Writing Support

Descriptive Writing Tell students that they have gone on a trip to a foreign country of their choice. Have students write a humorous post card home from that country describing familiar products they see people using and in stores, on signs, and in other places. **OL**

D Differentiated Instruction

English Language Learners

Have a volunteer define the term *multinational*. (*a company that does business in many different countries*) Then ask students to speculate on what the prefix *multi-* means. (*many*) Have students list words with this prefix and explain their meanings. (*Possible answers: multiply, multitalented, multicultural, multilingual, multiple, multiple sclerosis, multiplex, multipurpose*) **ELL**

Caption Answer: Stores are filled with products made overseas or by multinational corporations.

Additional Support

multinational corporation producing and selling without regard to national boundaries and whose business activities are located in several different countries (*also see page 76*)

Skills Handbook

See page R37 to learn about *Making Generalizations*.

Characteristics of Globalization

MAIN Idea Globalization involves the global spread of products, markets, and production, while international organizations aid trade.

Economics & You Do you ever check where the everyday products you use come from? Read on to learn how globalization brings the world to you.

There was a time when most markets were local. As transportation and communication improved and populations grew, markets expanded to nearby communities. Local markets expanded into regions, then the nation, and today the world.

As a result of this progress, many economists view globalization as a natural, almost inevitable, process. Globalization involves more than markets, however. We also see the globalization of production, institutions, and even culture.

Global Products and Markets

Today you can find specific goods, such as products from McDonald's, KFC, Pizza Hut, Starbucks, or Pepsi, all over the globe.

Global Products

The Nestlé Company is headquartered in Switzerland but sells its products worldwide. **How is globalization reflected in stores?**



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This would have been news just a few years ago, but today the global presence of a product is the rule rather than the exception.

Many of the products we use are made by **multinationals** that produce and sell without regard to national boundaries. Some of these giant corporations, such as British Petroleum (United Kingdom), Ford Motor Company (United States), and Shell Oil Company (United Kingdom and Netherlands) are well known to most people. Others, such as News Corporation (Australia), Kyocera (Japan), Schlumberger (Netherlands), and Vodafone (United Kingdom) are less well known but make products that millions of Americans use every day.

As a result of globalization, stores are stocked with a wide variety of products from other countries. Switzerland's Nestle provides us with chocolate bars, coffee, and Stouffer's frozen foods. Baskin-Robbins is owned by a firm in the United Kingdom. The Citgo gas station you might use is owned by a Venezuelan company, and the 7-Eleven store by a Japanese firm. The products these companies offer have the

Activity: Technology Connection

Foreign and Domestic Sales Have students go to a corporate Web site to find out information about a multinational's revenues. Have students choose one of the multinational corporations mentioned on this page or another that they are interested in. Then have them use their Internet searching skills to find out (1) the company's home country; (2) the percentage of the company's

revenues that comes from domestic sales (that is, in the home country) and foreign sales (from all other countries); and (3) the foreign country that contributes the most to the company's foreign sales. Have students share their findings with the class. **OL**



Global Anatomy of an American Rock Band

Rock 'n' roll music is as American as apple pie. To put together a band, however, you need instruments of global origin. A great example is the Steinway grand piano, which is truly a work of international proportion. Steinway manufactures its grand piano in both New

York and Hamburg, Germany. The strings are made from Swedish steel, and the keys are crafted from Bavarian spruce.

Many other musical inventions, such as the guitar, steel drums, synthesizer, and the microphone, led to the American sound. Look at the table to see how global efforts have made American music possible.

Musical Instrument/Invention	Inventor	Country of Origin/Date
Hydraulic organ	Ctesibius of Alexandria	Egypt, 246 B.C.
Steel drums	Enslaved people from West Africa	Trinidad, 1500s
Pianoforte	Bartolomeo Cristofori	Italy, c. 1720
Harmonica	Friedrich Ludwig Buschmann	Germany, 1821
Saxophone	Adolphe Sax	Belgium, 1841
Microphone	Emile Berliner	Germany, 1876
Fender guitar	Leo Fender	United States, 1946
Synthesizer	Hugh Le Caine	Canada, 1970

same features regardless of the country in which they are sold. This similarity makes selling in a global market easy.

Global Production

Globalization means more than having standardized products all over the world, though. It extends to production as well. In some cases, multinationals move their production facilities to be nearer to customers. For example, firms such as Toyota, Nissan, and Honda have opened manufacturing operations in the United States. Others, such as IBM, Boeing, and Intel, moved production facilities abroad to be closer to less expensive sources of labor and raw materials.

Most global manufacturing operations are highly sophisticated. For example, Dell uses the Internet to track production and shipping in its plants around the world. By keeping close watch on its operations, Dell is able to keep a modest three-day inventory in its assembly plants. If conditions in one location should suddenly change,

Dell can either speed up or slow down shipments of parts to keep production flowing smoothly.

One of the more controversial aspects of global production is **outsourcing**—hiring outside firms for non-core operations to lower operating costs. Many Americans consider outsourcing a controversial issue because they fear losing their jobs to overseas workers. While this is a concern to many workers, in the long run the lower costs of production, and the lower prices that consumers pay, are benefits that more than offset the lost jobs.

This is little comfort to those who lose their jobs. Yet it is likely that these workers have benefited from and contributed to globalization by buying low-priced clothes made in Indonesia, TV sets from Korea, or other products made abroad.

Global Institutions

Another aspect of globalization is the growth of international organizations that promote trade between nations. One such

Activity: Collaborative Learning

Business in Far-Flung Places Have student groups research and compile a list of tips or "dos and don'ts" for doing business in another part of the world. You may want to assign groups countries such as Japan, China, Russia, Saudi Arabia, Korea, Nigeria, South Africa, and any Latin American or European country. Also, you may want to suggest that students focus their research on tips for several different

types of manners or etiquette: appearance (including proper clothing and gestures), behavior (including body language and eating manners), and communication (including proper greetings). After students have shared their lists of tips, discuss this question: *Why should businesspeople take the time to learn about the customs of places where they are doing business?* **OL**

C Critical Thinking

Evaluating Ask: What are some advantages and disadvantages that a multinational gains by being large and operating in many different countries?

(Possible advantages: ability to draw talent from many different countries, chance to spread risk. Possible disadvantages: risk of political and social unrest in other countries, difficulty in communicating and coordinating, language and social problems, unfamiliarity with other cultures.) **OL**

R Reading Strategy

Inferring Ask: Do you think globalization would have been possible without computers?

Why or why not? (Most students will say no based on the speed with which modern telecommunications takes place.) **BL**

W Writing Support

Personal Writing Have students write a paragraph on whether they agree or disagree that lower costs and prices more than offset jobs lost to outsourcing. Have volunteers read their paragraphs. **OL**

Additional Support

Teacher Tip

Drama Students might enjoy acting out some of their research findings. For example, have students present a skit about two businesspeople in a foreign country—one who is savvy about business etiquette, manners, and appearance, and one who is not.

C Critical Thinking

Defending Tell students that the United States is a major financial contributor to international aid organizations like the IMF and World Bank. Then ask students to argue for or against this statement: *U.S. foreign aid to developing countries is a waste of money and would be better spent fighting problems at home.* Have students debate the topic, citing evidence from the text and current events. **OL**

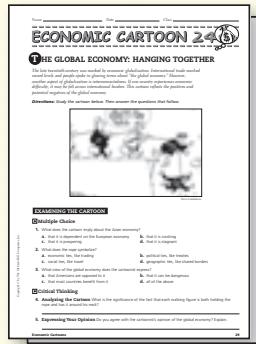
R Reading Strategy

Previewing Have students preview the subsection by looking at headings and graphics. Then have them write a sentence describing what they expect to learn in the subsection. **BL**

Caption Answer: the International Monetary Fund, the World Trade Organization, the United Nations

✓Reading Check **Answer:** They produce and sell items around the world.

Differentiated Instruction



Economic Cartoons, p. 29

General Agreement on Tariffs and Trade (GATT) international agreement to extend tariff concessions and reduce import quotas

division of labor separation of work into a number of individual tasks to be performed by different workers (*also see page 17*)

comparative advantage a country's ability to produce a given product at a lower opportunity cost than another country (*also see page 444*)

c

example is the **General Agreement on Tariffs and Trade (GATT)**. The GATT is an international agreement signed in 1947 between 23 countries to extend tariff concessions and do away with import quotas. The success of the GATT led to its successor, the World Trade Organization (WTO). Today nearly 150 countries belong to the WTO and turn to it whenever conflicts arise between member countries.

The International Monetary Fund (IMF) offers advice and financial assistance to nations so that their currencies can compete in open markets. Without the IMF, many countries would be unable to engage in international trade because their money would not be accepted by other nations.

The World Bank is another global agency that helps developing countries join global markets as part of their economic development **strategy**. It provides technical assistance, financial support, and grants for infrastructure to help even the poorest of nations join the growing globalization movement. Finally, the United Nations has a role to play in preserving peace through international cooperation.

✓Reading Check **Analyzing** How do multinational firms contribute to globalization?

Project Funding

The World Bank has approved funding to improve the rail and road transport system in Mumbai (Bombay), India, where 6.4 million people commute every day. **What other organizations provide assistance to developing countries?**

504



Globalization Trends

MAIN Idea Growing economic interdependence has led to increased regional integration.

Economics & You Do you remember learning about the European Union? Read on to find out how this organization has spurred integration in other regions.

With continued globalization, two trends stand out. The first is the growing economic interdependence among nations. The second is growing regional economic integration around the world.

Growing Interdependence

As markets develop, producers become more specialized in their activities. Specialization and the **division of labor** lead to higher levels of productivity. If producers who perform a specialized task have a **comparative advantage**, or the ability to do something at a relatively lower opportunity cost than someone else, they will be able to compete more effectively in the market.

In the **context** of the family, this usually means that the strongest person handles those tasks that require the most strength.

The Global Economy: Hanging Together

Objective: Analyze a political cartoon about the global economy.

Focus:

Have students describe examples of how humor can be used to get across a serious message.

Teach:

Have students complete the activity questions.

Assess:

Go over the answers with the class. Have students share their answers to question 5.

Close:

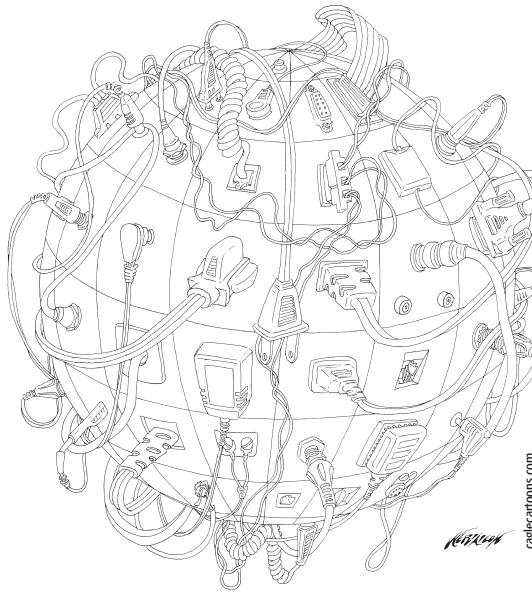
Ask students to list one pro and one con of globalization.

Differentiated Instruction Strategies

BL Ask: Why doesn't the cartoon show poor countries from Africa or Latin America?

AL Have students create a political cartoon on the subject of misguided aid to a developing country.

ELL Have students explain the meaning of the cartoon in their own words.



Global Interdependence
Because of trade and the uneven distribution of resources, the global economy is interdependent. **How does the cartoon illustrate this interdependence?**

In a global context, the countries most effective at using capital and technology are the ones manufacturing products such as automobiles, which they then exchange for the raw materials of other nations.

The result is an incredible amount of interdependence. This means that we depend on others, and others depend on us, for almost everything we do. On a global scale, it allows a country such as Japan, which has almost no domestic energy resources, to become an advanced industrial nation. It also allows other countries with little manufacturing capacity, such as Saudi Arabia, to exchange their energy resources for a wide range of consumer and other manufactured goods.

The weakness of interdependence is the possibility that a breakdown anywhere in the global system could affect everyone. For example, if oil exports from the Persian Gulf should be halted as a result of terrorism or war, industrial output and standards of living all over the globe will suffer.

Regional Economic Integration

In a global economy, the culture, currency, or laws of an individual country can interfere with the increase in economic

integration. As a result, a number of countries have pursued various degrees of integrating their economies within regions.

Economic integration is furthest along in the 27-nation European Union (EU), which had its roots in the **European Coal and Steel Community (ECSC)**. The ECSC consisted of Belgium, France, Germany, Italy, Luxembourg, and the Netherlands. It was organized in 1951 to coordinate iron and steel production so that it would be difficult for the nations to ever again go to war with one another. The ECSC was enormously successful, and over the years the cooperation evolved into the EU.

Today, approximately half of the EU countries have given up their national currencies in favor of the euro. EU members also have removed most internal barriers to the movement of workers, financial capital, goods, and services. The European Union has not yet achieved complete economic integration because many differences remain; still, the EU is one of the largest unified markets in the world.

The economic success and political stability of the EU have given regional economic integration a huge boost around the world. One consequence is the creation of the Association for Southeast Asian

CHAPTER 18 Global Economic Challenges 505

European Coal and Steel Community (ECSC) group of six European countries formed in 1951 to coordinate iron and steel production to ensure peace among member countries

R

Skills Handbook

See page R58
to learn about
*Interpreting
Cartoons*.

S Skill Practice

Using Tables and Charts

Have students create a graph that illustrates the interdependent nature of global trade involving industrialized countries like Japan and resource-rich countries like Saudi Arabia. OL

R Reading Strategy

Making Connections Ask:
What important event ended in Europe only six years before the founding of the ECSC? (World War II) Have students speculate on why nations like France, Italy, and West Germany might have wanted to encourage closer economic cooperation among nations. (*Possible answer: They probably felt that closer economic integration was a good way to prevent another catastrophic war.*) OL

Caption Answer: It shows different places on the globe "plugged in" to a worldwide network of telecommunications, such as computers, telephones, and other electronic devices.

BL Graphic Organizer Transparencies, p. 39

Graphic Organizer Transparency 20: Concept-Definition Diagram

Strategies
A concept-definition diagram allows students to define key terms and concepts. It is especially useful for developing new vocabulary. Students can use the concept-definition diagram to explain how two words or concepts are "connected" to produce together characteristic features. This diagram can also be used to analyze the concept of interdependence.

Using Concept-Definition Diagrams in the Social Studies Classroom

World History
Have students use the concept-definition diagram to explore the concept of interdependence in world history. For example, students can use the concept-definition diagram to explain how the "new" arrivals to the Americas "plugged in" to a worldwide network of telecommunications, such as computers, telephones, and other electronic devices.

American History
After the War of 1812, interdependence began to take hold in the United States. Encourage students to better understand by having students use the concept-definition diagram to explain how the "new" arrivals to the Americas "plugged in" to a worldwide network of telecommunications, such as computers, telephones, and other electronic devices.

Government
Have students use the concept-definition diagram to explain how the "new" arrivals to the Americas "plugged in" to a worldwide network of telecommunications, such as computers, telephones, and other electronic devices.

Economics
Encourage students to think about the interdependence among countries, especially in financial markets and the world economy. Have students use the concept-definition diagram to examine global interdependence and the characteristics and consequences of interdependence.

OL Critical Thinking Activities, p. 26

CRITICAL THINKING 26

SYNTHESIZING INFORMATION ABOUT COMPUTERS AROUND THE WORLD

Directions: Study the following tables. Use the figures in the tables to synthesize a third table that shows the number of personal computers per thousand people in each country. List the name of the country with the highest ratio of computers per thousand people. See page R58 for help with this activity.

Counties With the Most Personal Computers

Country Name	Number of Personal Computers
China (Mainland)	53,600,000
Japan	45,600,000
United Kingdom	36,000,000
United States	27,700,000
Germany	27,000,000
France	24,700,000

Population in Countries With the Most
(Source: Data from the Internet, 2002)

Country Name	Population
China (Mainland)	1,291,212,000
United States	279,212,000
Japan	127,760,000
Germany	82,760,000
United Kingdom	58,620,000
France	56,420,000
Canada	30,625,000

Number of Computers Per 1,000 People in Countries With the Most Personal Computers

Country Name	Number of Computers per 1,000 People
China (Mainland)	41
Japan	16
United Kingdom	12
United States	10
Germany	9
France	8
Canada	7

AL BusinessWeek Focus on the Global Economy, p. 17

FOCUS TOPIC 1: OUTSOURCING

READING 1

Insource, Offshore, Outsource—Help!

Focus & Read

Outsourcing, offshoring, and insourcing are three ways companies can manage their operations. Each has its own advantages and disadvantages. In this model, one company's operations are moved to another company in another country, often to reduce costs. This model is called "outsourcing." Offshoring is shifting part of a company's operations to a foreign country. Insourcing is when a company's operations are moved to another part of the same country, which is a general practice. Offshoring and insourcing are often called "businessprocess outsourcing," or BPO. The cost of labor is often lower in other countries. For example, India has a large number of highly educated workers who speak English fluently. By the way, another option is to move operations to another state in the U.S. This is called "instate outsourcing." In this model, one company's operations are moved to another state in the U.S. This is done to take advantage of lower costs. For example, the Indian textile industry has moved some of its operations to the Eastern U.S. state of North Carolina. By the way, another option is to move operations to another country. This is called "offshoring." Offshoring is often done to take advantage of lower costs. For example, India has a large number of highly educated workers who speak English fluently. By the way, another option is to move operations to another country. This is called "offshoring."

Q: What is the difference between insourcing, offshoring, and outsourcing?

A: No. The idea has been around since the 1970s. It is called "offshoring" because companies have done this. People find it easier to do business with companies in other countries. For example, GM building cars in Mexico is an example of insourcing. The company moves processes to a foreign location.

Q: How does "outsourcing" work?

A: It is offshoring, but on a smaller scale. It is offshoring, but on a smaller scale. For example, GM building cars in Mexico is an example of insourcing. The company moves processes to a foreign location.

D Differentiated Instruction

Special Education Students with various reading and organizational difficulties may have problems relating graphics and the main text. Have students identify what the map illustrates. Then direct students to read the section, restate what each graphic illustrates, and suggest reasons why the graphics were included in the section. **BL**

C Critical Thinking

Contrasting Ask: What challenges might the member countries of COMESA face that the EU nations in Europe did not face? (Answers will vary depending on students' knowledge of Europe and Africa but may include extreme poverty, ethnic and tribal rivalries, different colonial histories, civil wars, and lack of resources and infrastructure.) Then have students make and justify predictions about the future of COMESA. **OL**

Economic Analysis

Answer: the European Union (EU)

Hands-On Chapter Project

Step 1

Global Economy Factbook

In this project, students will create and present a global economy factbook.

Step 1: Planning the Factbook.

Students will plan an information booklet about the global economy.

Directions: Tell the class that they will be dividing into six groups to create a four-page global economy factbook aimed at educating fellow students about the world

Free Trade Area of the Americas (FTAA) 34-nation group established in 1994 in order to set up a regional free trade area in the Americas with no internal barriers to trade

Nations (ASEAN), which seeks cooperation similar to that in the EU. Two other associations are less successful than either the EU or ASEAN. The Common Market for Eastern and Southern Africa (COMESA), shown below in **Figure 18.1**, consists of 20 countries. The other association is called the **Free Trade Area of the Americas (FTAA)**. The FTAA includes 34 nations and was established in 1994 in order to set up a

regional free-trade area in the Americas with no internal barriers to trade.

As globalization continues, different regional groups may merge into even larger global markets. This will have additional benefits, because economic cooperation among countries usually leads to increased political cooperation. Thus, globalization will likely enhance economic growth and political stability among all nations.

Figure 18.1 ▶

The Common Market for Eastern and Southern Africa (COMESA)



► COMESA is an emerging 20-country common market (customs union) for eastern and southern Africa. The organization was formed to remove all internal barriers to trade and to adopt uniform trade standards for nonmember countries.

Economic Analysis What other regional group served as an example for COMESA?

economy. Have students review the Big Ideas and skim the chapter, taking notes on what should be included in the factbook. Then have them compile a list on the board of suggested topics. The class list may include such items as:

- definitions for key terms
- the role of telecommunications
- changes in financial markets
- foreign investment and debt
- foreign aid
- multinationals

- effects of global integration on society (in general or on a local community)

Have students copy the list of suggestions and break up into groups. Have them begin planning their factbook, assigning roles for each group member.

Identifying Central Issues Have students list three objectives that they feel their factbooks should accomplish in presenting the global economy. **OL**

(*Chapter Project continued in Section 2.*)

Will Globalization Continue?

Despite the growth and support for globalization, progress has not always been smooth. Change can be threatening to established ways of doing business. Clashes erupt when people fear that not just their jobs but their way of life is at risk. Problems can arise on a small scale when McDonald's or KFC opens a store in a scenic European location. It also happens when Wal-Mart brings a new store to England, China, or any other country where it might force local "mom and pop" businesses to close.

These concerns apply to services as well. France has rules that protect domestic filmmakers by restricting the number of American movies that can be shown. Canada requires its radio stations to reserve a certain amount of air time for music performed by Canadian artists.

Politics can also play a role in helping or hindering globalization. When nations get along well with one another, they are more likely to cooperate by forming free-trade

areas or customs unions. If nations do not get along well, or if an international conflict should erupt, then the opposite result could occur. For example, a dispute with the United States over the future of Taiwan could interrupt China's globalization process. If this happens, trade will likely fall off between the two nations, dealing a severe blow to globalization.

Finally, some radical political organizations oppose the capitalism that drives globalization. Before World War I broke out in 1914, Russian revolutionaries known as Bolsheviks fought against capitalism. Now fundamentalist extremists such as al-Qaeda oppose globalization.

In short, while globalization can lead to great economic gains, these gains may not be important to everyone. Even a perceived threat to culture, politics, or religion can slow or halt the process of globalization.

Reading Check Describing What characteristics show that the European Union is successful at regional integration?

D

D Differentiated Instruction

Advanced Learners Have students choose an artistic medium to illuminate some aspect of the globalization debate. Examples include a monologue, dialogue, or play about the effects of globalization in a developing country; a poem or short story; or a mural, collage, video, or other visual. **AL**

Reading Check Answer: the common currency and movement of workers, capital, goods, and services

SECTION

1

Review

Vocabulary

- Explain** the significance of globalization, multinational, outsourcing, General Agreement on Tariffs and Trade (GATT), division of labor, comparative advantage, European Coal and Steel Community (ECSC), and Free Trade Area of the Americas (FTAA).

Main Ideas

- Describing** Use a graphic organizer like the one below to describe the effects of globalization on markets, production, and institutions.

	Effects
Markets	
Production	
Institutions	

- Identifying** What trends result from continued globalization?

Critical Thinking

- The BIG Idea** What is the relationship between globalization and interdependence?
- Drawing Conclusions** Why might a company move its production facilities to another country? Why would it not move its headquarters in the same way?
- Analyzing Visuals** Look at the photo on page 504. How does this photo show you that the public transportation system of Mumbai needs to be improved?

Applying Economics

- Globalization** Visit your local grocery store and make a list of at least 10 products that reflect globalization. Create a poster illustrating these products and showing where each originates (or where the producer is based). Present your poster to the class and explain why you do or do not personally benefit from globalization. Be prepared to defend your position.

Assess

 Use the Interactive Tutor Self-Assessment CD-ROM to review Section 1, and then assign the Section 1 Review as homework or as an in-class activity.

Close

Problem-Solving Have students identify obstacles to world economic integration and suggest ways of resolving them. **OL**

Review

SECTION

1

Answers

- All definitions can be found in the section and the Glossary.
- Markets:** Goods from many countries now available in most markets. **Production:** Jobs are outsourced to countries with lower labor costs. **Institutions:** New organizations promote international trade.
- growing interdependence, regional economic integration, opposition to globalization
- Globalization leads to greater economic interdependence.
- Possible answer:** to lower labor costs or to be nearer customers; to not disrupt home-office operations or to take advantage of highly trained personnel in the developed country
- It is very crowded; more trains, larger trains, or more stations are clearly needed.
- Posters will vary but should show an understanding of issues surrounding globalization.

Teach**C Critical Thinking**

Evaluating Discuss students' feelings about imported products. **Ask:** Would you prefer to buy an American-made product? How much more would you pay for a U.S.-made product over one from a developing country? **OL**

BusinessWeek ONLINE

To find up-to-date news and analysis on the economy, business, technology, markets, entrepreneurs, investments, and finance, have students search feature articles and special reports on the BusinessWeek Web site, www.businessweek.com.

Examining the Newsclip**Answers:**

- Multinationals from developing countries are now competing with those from developed countries.
- access to dynamic markets, lower costs, sound business and marketing practices

Additional Support

American companies have been selling their products in other countries for quite some time. With globalization, though, the tide is turning. Today businesses from other parts of the world are finding their way to the U.S. market.

Emerging Giants

Like other rural residents of southern Mississippi, Jamie Lucenbergs, 35, faced a huge cleanup job . . . in the wake of Hurricane Katrina. He needed a tractor fast to clear debris and trees from his 17-acre family farm, just 16 miles north of devastated Biloxi. . . . But rather than buy an American-made John Deere or New Holland, brands he grew up with, Lucenbergs chose a shiny red Mahindra 5500 made by India's Mahindra & Mahindra Ltd. . . .

GLOBAL STRATEGIES**TAKE BRANDS GLOBAL**

Establish primacy at home, expand in neighboring nations, then move to the West.

TARGET A NICHE

Focus on an industry, build scale, and expand globally by acquiring smaller players.

ENGINEERING TO INNOVATE

Tap ample low-cost talent at home, then develop innovative products.

LEVERAGE NATURAL RESOURCES

Take advantage of domestic oil, mineral, or timber resources to attain a cost edge, then go global.

ACQUIRE OFFSHORE ASSETS

Becoming a global player by buying oil and mineral reserves or partnering with other developing-nation companies.

EXPORT BUSINESS MODEL

Hone a management system, then replicate it globally through acquisitions.

Surprised that a company from India is penetrating a U.S. market long dominated by venerable names like Deere & Co.? Then it's time to take a look at how globalization has come full circle. A new breed of ambitious multinational is rising on the world scene, presenting both challenges and opportunities for established global players.

These new contenders hail from seemingly unlikely places, developing nations such as Brazil, China, India, Russia, and even Egypt and South Africa. They are

shaking up entire industries, from farm equipment and refrigerators to aircraft and telecom services, and changing the rules of global competition. . . .

What makes these upstarts global contenders? Their key advantages are access to some of the world's most dynamic growth markets and immense pools of low-cost resources, be they production workers, engineers, land, petroleum, or iron ore. But these aspiring giants are about much more than low cost. The best of the pack are proving as innovative and expertly run as any in the business, astutely absorbing global consumer trends and technologies and getting new products to market faster than their rivals.

—Reprinted from *BusinessWeek*

Examining the Newsclip

- Describing** How is globalization changing the presence of multinationals?
- Determining Cause and Effect** What helps multinationals from emerging markets compete globally?

Extending the Content**Multinationals in Developing Countries**

While most of the largest multinational corporations are still located in the "Big 3" geographic regions of the United States, Japan, and Europe, the list of the largest companies is beginning to include some based in developing nations. A 2006 report by the United Nations found that, ranked by total foreign assets, one company from the developing world had cracked the top 25.

It is the Hong Kong diversified industrial company Hutchinson Whampoa, at number 17. That makes it larger than more familiar names such as Honda, Nestlé, Chevron, Texaco, and Daimler Chrysler. The next three largest multinationals from outside the United States, Japan, and Europe are Petronas, a Malaysian oil company; Singtel, a telecommunications company from Singapore; and Samsung, the South Korean electronics giant.

GUIDE TO READING**Section Preview**

In this section, you will learn that global economic challenges include overpopulation, resource depletion, and pollution.

Content Vocabulary

- scarcity (p. 509)
- subsistence (p. 510)
- renewable resource (p. 512)
- hydropower (p. 512)
- biomass (p. 512)
- gasohol (p. 513)
- nonrenewable resource (p. 513)
- glut (p. 515)
- pollution (p. 516)
- acid rain (p. 516)
- pollution permit (p. 517)

Academic Vocabulary

- compounded (p. 509)
- successive (p. 518)

Reading Strategy

Identifying As you read the section, complete a graphic organizer like the one below by identifying and describing the global problems that scarcity can bring.

Problem	Description

ISSUES IN THE NEWS*—The New York Times***Pollution From Chinese Coal Casts a Global Shadow**

One of China's lesser-known exports is a dangerous brew of soot, toxic chemicals and climate-changing gases from the smokestacks of coal-burning power plants.

In early April [2006], a dense cloud of pollutants over Northern China sailed to nearby Seoul [Korea], sweeping along dust and desert sand before wafting across the Pacific. An American satellite spotted the cloud as it crossed the West Coast [of America].

. . . Coal is indeed China's double-edged sword—the new economy's black gold and the fragile environment's dark cloud.

Already, China uses more coal than the United States, the European Union and Japan combined. . . . To make matters worse, India is right behind China in stepping up its construction of coal-fired power plants—and has a population expected to outstrip China's by 2030. ■

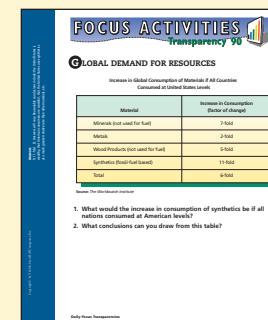


The fundamental economic problem is **scarcity**, the condition that results from not having enough resources to produce all of the things people would like to have. We experience scarcity at the personal and national levels, even in relatively prosperous nations such as the United States. At the global level, scarcity reveals itself

through food, energy, and other resource shortages, all of which are **compounded** as world population grows.

As countries increase their populations and grow their economies, they are faced with the problem of how to use scarce resources without harming another important resource—the environment.

scarcity
fundamental economic problem of meeting people's virtually unlimited wants with scarce resources (*also see page 6*)

Focus**Bellringer****Daily Focus Transparency 90****GUIDE TO READING****Answers to Graphic:**

scarcity of resources (fierce competition over them); rising prices for scarce resources (severe economic challenges for poor countries); need to exploit resources to develop economically (more pollution)

Resource Manager

R Reading Strategies	C Critical Thinking	D Differentiated Instruction	W Writing Support	S Skill Practice
Teacher Edition <ul style="list-style-type: none"> • Skimming, p. 510 • Predicting, p. 515 • Monitoring, p. 516 • Inferring, p. 517 • Making Connections, p. 519 Additional Resources <ul style="list-style-type: none"> • Guid. Read. Act., p. 53 • Read. Ess. & Note-Taking Guide, p. 157 	Teacher Edition <ul style="list-style-type: none"> • Evaluating, p. 514 • Assessing, p. 514 • Making Inferences, p. 515 • Ident. Cent. Issues, p. 518 Additional Resources <ul style="list-style-type: none"> • Bus. Focus on the Global Economy, pp. 36, 38 	Teacher Edition <ul style="list-style-type: none"> • Logical/Math., p. 510 • Visual/Spatial, p. 511 • ELL, p. 512 Additional Resources <ul style="list-style-type: none"> • Free Enterprise Act., p. 25 • Reteach. Act., p. 18 • Enrichment Act., p. 18 	Teacher Edition <ul style="list-style-type: none"> • Expository Writing, p. 511 • Persuasive Writing, p. 513 • Personal Writing, pp. 516, 519 Additional Resources <ul style="list-style-type: none"> • High School Reading in the Content Area Strat. and Act. 	Teacher Edition <ul style="list-style-type: none"> • Det. Cause/Effect, p. 512 • Interpreting Political Cartoons, p. 513 Additional Resources <ul style="list-style-type: none"> • Math Prac. for Econ., p. 25 • Reading and Study Skills Fold., p. 66

Teach

R Reading Strategy

Skimming Students who have trouble reading a passage may benefit from skimming it before reading to develop a time frame for the events or ideas that are presented. Have students skim the subsection “Global Population Growth” for time markers such as “1798” and “from 1950 to 2050.” Have them point out similar markers in other subsections. **BL**

D Differentiated Instruction

Logical/Mathematical

Have students write a paragraph explaining the difference discussed in this section between *population* and *population growth rate*. Ask them to make clear how the latter can be falling while the former is rising. **OL**

Economic Analysis

Answer: growth rates in developed countries are low and falling; economic incentives push people away from having children

Additional Support

subsistence
state in which a society produces only enough to support itself

Global Population Growth

MAIN Idea While the world's overall population growth rate is decreasing, population in developing countries still grows faster than in the developed ones.

Economics & You Do you or any of your friends have fewer brothers and sisters than either of your parents? Read on to see how an economist would explain this change.

Population growth has fascinated the world ever since Thomas Malthus published his *Essay on the Principle of Population* in 1798. His views, written over 200 years ago, are still relevant today because of the growing demand for resources.

Malthus: Views on Population

Thomas Malthus argued that a population would grow faster than its ability to feed itself. The problem, he stated, was that population tended to grow geometrically, as in the number sequence 1, 2, 4, 8, 16, 32, 64, and so on. The ability of the earth to feed people, however, would grow at a slower and more constant rate, such as 1, 2,

3, 4, 5, and so on. Eventually, according to Malthus, the masses of the world would be reduced to a condition of **subsistence**—the state in which a population produces only enough to support itself.

In many countries in the developing world, poverty is widespread. Whether in the African country of Somalia or the Indian city of Kolkata (Calcutta), thousands of street dwellers search for food in refuse piles by day and sleep in the streets at night. Similar conditions exist in other parts of the world. In these places, the Malthusian prediction of a subsistence standard of living is a cruel reality.

World Population Growth

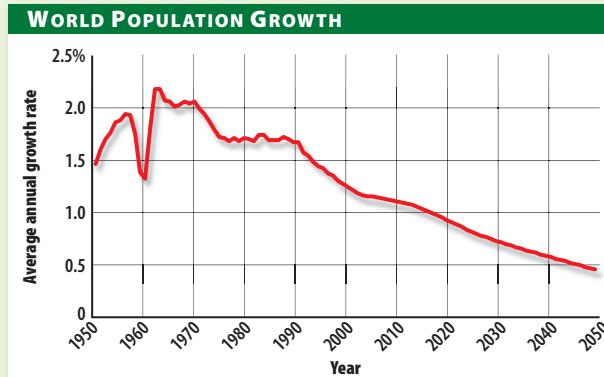
Despite the dire predictions, population growth appears to be slowing. **Figure 18.2** shows the rate of world population growth from 1950 to 2050. According to the figure, population grew the fastest in 1962 and 1963 but the rate of growth has declined, or is expected to decline, steadily thereafter.

According to the U.S. Census Bureau, the world population is currently growing at a rate of about 1.13 percent per year, but the growth rate is expected to fall below

Figure 18.2 ▶ Projected Annual World Population Growth Rate, 1950–2050

► The annual rate of world population growth peaked in 1962 and 1963 and has slowly declined ever since.

Economic Analysis Why is a slower rate of population growth expected?



Source: U.S. Census Bureau

Extending the Content

Father of “the Dismal Science”

Thomas Malthus, the pioneer of modern population study, was born in England in 1766. He was a kind, gentle person who was devoted to his church and his father. At age 18, he became a student at Cambridge University and studied mathematics and classical languages. While away, he wrote letters to his father. One subject they discussed was the

optimistic view, then popular, that a future of peace, prosperity, and equality awaited the world. Malthus disagreed and wrote his father a 50,000-word letter arguing against this utopian vision. His father was so impressed with his son’s reasoning that he encouraged him to publish his ideas. The book was *An Essay on the Principle of Population As It Affects the Future Improvement of Society*. This book

changed forever the way people would think about population. Its gloomy predictions led Malthus himself to call economics “the dismal science,” a label it has retained ever since.

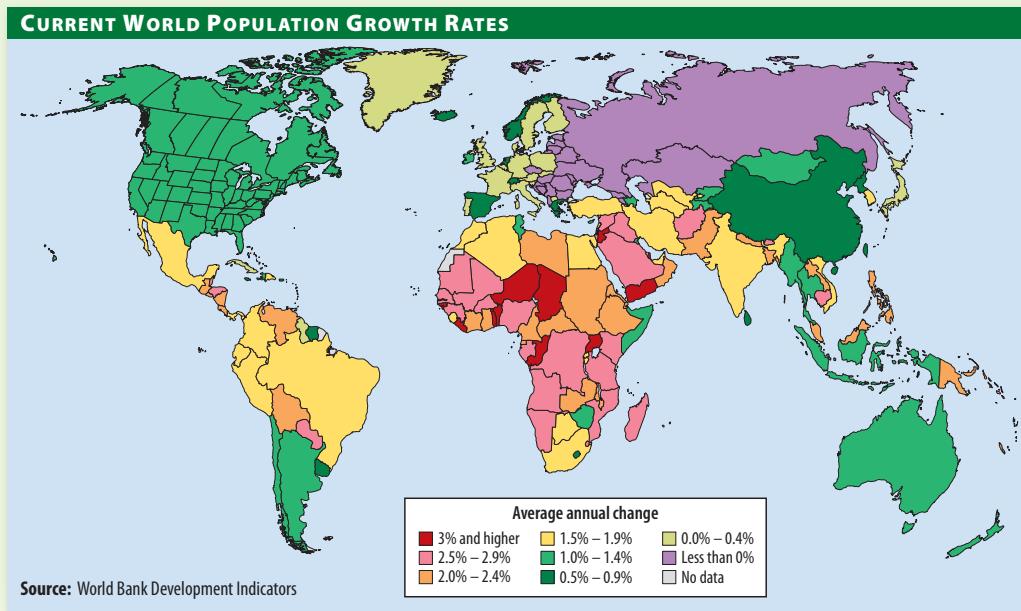
Figure 18.3 ▶ World Population Growth by Country

CHAPTER 18, SECTION 2

► The map shows the population growth rates of the countries of the world.

Economic Analysis How does the annual growth rate in China compare with that of Brazil?

Maps In Motion
See StudentWorks™ Plus
or glencoe.com.



one percent by 2017. If the world population keeps growing at the rates shown in Figure 18.2, it will reach about 8 billion in 2027, and then hit 9 billion by 2045.

Was Malthus Wrong?

Population is growing at different rates around the world. As Figure 18.3 shows, industrialized nations have the lowest rates of population growth, while the poorer nations in the developing world tend to have the highest population growth rates.

Malthus did not foresee the enormous advances in productivity that allowed a rising standard of living to accompany a growing population. He also did not foresee that families might choose to have fewer children. This is especially true for a

number of industrialized countries, including Japan, Russia, and Germany, that have shrinking populations.

Malthus's predictions may not have been entirely accurate for the industrialized countries, but they still have long-term consequences for all nations. Today, for example, population pressures in the developing world are causing problems for many industrialized countries, such as the United States, which is besieged by illegal immigrants from China, Mexico, and Haiti.

Economic Incentives

Economic incentives play a role in population growth. For example, children are relatively expensive to raise in an industrialized country. Medical costs at birth, health

Activity: Interdisciplinary Connection

Health Ask students to research important health statistics. Have them find the life expectancy, infant mortality, average daily calorie intake, and health care expenditures per capita for the following developed and developing countries: the United States, Japan, China, Mexico, Uganda, and Haiti. Suggest that students begin by brainstorming a list of key

words to use as they search the Internet for health statistics. After students have completed their searches, ask: *What generalizations can you make about health care and other health-related issues in developed and developing countries?* **OL**

D Differentiated Instruction

Visual/Spatial Have students compare the map with one in a world atlas to name five countries that are growing the fastest and five that are losing population. Then ask students to speculate on what each group of countries has in common. (*Students may note that the countries losing population are located in Europe and mostly developed nations, while those growing the fastest are in Africa or the Middle East, and include several Muslim countries.*) **AL**

W Writing Support

Expository Writing Have students write a paragraph explaining how population pressures are leading to increased emigration to developed countries. (*Explanations should note that rising populations in developing countries cause competition for resources, jobs, and so on and lead people to seek these resources in richer countries.*) **OL**

Economic Analysis

Answer: Brazil: 1.5%–1.9%;
China: 0.5%–0.9%

Additional Support

S Skill Practice

Determining Cause and Effect

Have students draw charts that show the effects of incentives and disincentives on the decision to have children in developed and developing nations. **OL**

D Differentiated Instruction

English Language Learners

Have students identify the prefix (*re-*) and suffix (*-able*) used in the term *renewable*. Have them give the meanings of each (*again; ability to be or do something*) and name other words they know that use *re-* or *-able*. **OL**

Caption Answer: dams, rivers, streams

Reading Check Answer: He did not foresee advances in productivity, and he did not expect families to choose to have fewer children.

Differentiated Instruction

renewable resource natural resource that can be replenished for future use

hydropower power or energy generated by moving water

biomass energy made from wood, peat, municipal solid waste, straw, corn, tires, landfill gases, fish oils, and other waste

insurance, larger homes, cars, and college expenses add to the cost of raising children. In addition, one parent bears an opportunity cost if he or she forgoes a career while staying home to raise the children. If a family wants to minimize these costs, as they might other costs, part of the answer is to have fewer children.

The opposite happens in the developing world because children there are regarded as an asset. Medical expenses are minimal or nonexistent, insurance is rare, homes are often shared, and cars and college educations are seldom available. Even young children are likely to help with house work or farm work. Since developing countries do not have retirement programs like Social Security, parents tend to have many children in hopes that some of the children will care for them in their old age.

The result is predictable. If children are an asset to the family rather than a cost, then parents will try to have as many children as they can. This explains the high rate of population growth in developing countries and the declining—or negative—rate of population growth in the developed world.

Reading Check Explaining Why might Malthus have been wrong in his predictions?

Hydropower

Portugal is the site of the first wave farm to use Pelamis wave energy converters that were developed in Scotland. **What are other sources of hydropower?**



The Demand for Resources

MAIN Idea Because of scarcity, societies need to conserve nonrenewable resources while finding efficient ways to harness renewable resources.

Economics & You Do changes in gas prices affect your daily activities? Read on to learn how changes in gas prices affect the demand for alternative energy sources.

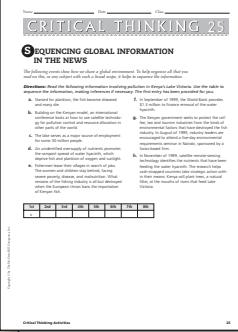
Population pressures add to the depletion of many important resources. Some of these resources are in the form of raw materials, minerals, arable land, and energy. Energy is especially important because it is necessary for the production of the technological goods that make our lives more comfortable.

Renewable Resources

Economists recognize two general types of resources. One is a **renewable resource**, or natural resource that can be replenished for future use. Four main sources of renewable resources are used today.

The renewable resource that contributes the most to our energy needs today is **hydropower**, power or energy generated by moving water. In the 1800s, hydropower propelled the mills and factories of the Northeast. The power was reliable, and its source—water—was abundant and free. Later, generators at the Hoover Dam and the Tennessee Valley Authority were completed to generate power on a much larger scale. Today, many countries are trying to harness the power of moving water found in ocean waves and tides.

Another source is **biomass**, or energy made from wood and wood waste, peat, municipal solid waste, straw, corn, tires, landfill gases, fish oils, and other waste. While relatively new, this is the second most important form of renewable energy produced in the United States today. An example of biomass is ethanol, or grain alcohol that is made from corn or other



Sequencing Global Information in the News

Objective:

Learn about pollution's effects and practice organizing events in correct sequence.

Focus/Teach:

Point out the position of Kenya on a map of the continent of Africa. Have students complete the activity.

Go over students' answers as a class.

Ask: Do you think all world events can be sequenced as clearly as this one? Why or why not? Discuss students' answers.

Critical Thinking Activities, p. 25

Differentiated Instruction Strategies

BL Ask: How did modern technology help pollution in Lake Victoria?

AL Have students write predictions of what might have happened to Lake Victoria without intervention.

ELL Have students make a list of clue words to help them sequence events.



crops. Ethanol is used to make **gasohol**—a fuel that is a mixture of 90 percent unleaded gasoline and 10 percent ethanol. Since 1998, many American cars have also been designed to run on E85, a mixture of 85 percent ethanol and 15 percent gasoline.

The third-largest source of renewable energy is solar power, or energy that is harnessed from the sun. Solar power has never been effectively developed, however, and did not get much attention when the price of oil was low. While solar power holds much promise, it accounts for only a fraction of the renewable energy used today.

The fourth-largest category of renewable energy sources is wind-generated electricity. Since the early 1980s, many wind farms have been built, each producing enough electricity to power a medium-sized city. California is the largest producer of wind-generated energy, but wind farms can be found in many other states as well.

Nonrenewable Resources

Most of the energy we use today comes from **nonrenewable resources**—resources that cannot be replenished once they are used. The major nonrenewable resource

category—fossil fuels—is being consumed at an alarming rate and at current consumption levels may only last for a few more generations.

Oil is the biggest nonrenewable energy source in use today, primarily because it was so inexpensive during much of the 1900s. Oil also is much more convenient to use than natural gas or coal.

Natural gas and coal are tied for the second-largest nonrenewable energy source. Historically, natural gas was more difficult to transport and use than oil, so it did not become an important energy source until much later. Eventually inexpensive natural gas became popular as an industrial fuel, and many factories and industrial technologies were built around it.

Coal was the first nonrenewable fuel to be used on a large scale, but oil and natural gas soon displaced it because they are easier to use. Still, coal is both inexpensive and plentiful. Nearly two-thirds of the world's known coal deposits are in the United States, Russia, and China, with reserves estimated to last about 200 years.

Nuclear energy is the next-largest and newest source of nonrenewable energy, accounting for nearly 8 percent of all energy

Oil Refineries such as this one in France prepare oil for general use.

What type of resource is oil?

gasohol
mixture of 90 percent unleaded gasoline and 10 percent grain alcohol, or ethanol

nonrenewable resource resource that cannot be replenished once it is used

BL Reteaching Activities, p. 18

RETEACHING Activity 18

GLOBAL ECONOMIC CHALLENGES

Globlization is the movement toward a more integrated and interconnected world economy. As part of this process, people in many countries now purchase products made elsewhere and in the world. Globalization, people in many countries now purchase products made elsewhere and in the world. Globalization, people in many countries now purchase products made elsewhere and in the world.

Directions: On each “ray” of the spider map, write one characteristic of globalization. For each characteristic, provide at least one supporting detail.

OL BusinessWeek Focus on the Global Economy, p. 38

BusinessWeek FOCUS TOPIC 4: ECONOMICS AND THE ENVIRONMENT

READING 1A

A Big, Dirty Growth Engine

Patrick Reckitt

THE 2008 Beijing Olympics may have delivered the country's first taste of international recognition, but the games have also brought a host of environmental problems. The Chinese government has spent nearly \$10 billion on new infrastructure, including roads, railroads, and airports, and has built more than 100 new power plants. By the time the Chinese government has finished its massive construction program, China will be the world's largest emitter of greenhouse gases, predicted power minister Chen Minxin. "China's economic development is based on a high level of energy consumption," he said.

Wen Jiabao, who had been China's prime minister, has called for a shift away from coal and towards more efficient energy sources. He has said nearly 150 new power stations will be built by 2020, and the Chinese government has pledged to reduce its carbon dioxide emissions per unit of gross domestic product by 40 percent by 2020. The Chinese government has also announced that it will ban coal imports from 2012.

Environmental activists are worried that the Chinese government's focus on economic growth is leading to environmental degradation. For

all its efforts, China's new energy policy has created some of the world's worst pollution. Last year, China's coal-fired power plants emitted more than 1.5 billion tons of carbon dioxide, making China the world's largest emitter of greenhouse gases. And 27% of the world's coal is burned in China.

China's environmentalists are worried that the Chinese government's focus on economic growth is leading to environmental degradation. For

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Focus Question

What are the environmental effects of China's economic growth?

Answers

1. What are the environmental effects of China's economic growth? The Chinese government's focus on economic growth is leading to environmental degradation. For

AL Enrichment Activities, p. 18

POLLUTION AND ECONOMIC INCENTIVES

ENRICHMENT Chapter 18

Focus Topic 4: ECONOMICS AND THE ENVIRONMENT

READING 1A

Focus Question

How do economic incentives affect the environment?

Answers

1. What is the name of the environmental policy program and what is it focused on? PROSE. 2. What do the gold and black strings mean? Gold strings represent economic incentives that encourage companies to pollute; black strings represent economic incentives that encourage companies to reduce their pollution. 3. What are other economic incentives apart from PROSE? Tax breaks, subsidies, and regulations.

C1 Critical Thinking

Evaluating Point out that nuclear power has been much in the news lately as an alternative to fossil fuels, especially in the discussion of how to reduce greenhouse gases that contribute to global warming. **Ask:** Do you think the risks of nuclear power should be reevaluated in light of the need to reduce emissions that cause climate change? Are these risks more manageable in light of what we know about the risks of continuing to burn fossil fuels? (Answers will vary but should be logical and supported by facts.) **AL**

C2 Critical Thinking

Assessing Refer students to the right side of the chart in Figure 18.4. Then have students discuss this question: In which of the four sectors do you think the United States could most easily reduce its energy use? Why? **OL**

Economic Analysis

Answer: 38.5%

Additional Support

Creating an Energy Poll Have students create a series of questions to gauge support in your community for different energy alternatives. Begin by brainstorming what students would like to know about how people in your community feel about energy. For example:

used in the United States. The future of nuclear power is uncertain, however, for a number of reasons.

C1 Cost is one reason. Nuclear reactors are expensive to build and maintain. Second, nuclear energy produces highly hazardous by-products which are difficult to dispose of safely. Finally, there is always some chance that a nuclear plant will fail, or that another accident would happen like the 1979 near-meltdown at Three Mile Island in Pennsylvania. The 1986 meltdown of the Chernobyl reactor in Chernobyl, Ukraine, served as another reminder of the possible dangers of nuclear power. These and other reactor shutdowns are all daunting problems, but safety issues need to be addressed and dealt with before nuclear power becomes more widespread.

from domestic production in the form of coal, natural gas, crude oil, nuclear power, and other sources. Slightly less than one third, or 31.7 percent, is imported from abroad. Most of this energy is in the form of petroleum.

The figure also shows that most of the energy we consume, or 82.2 percent of the total, is from fossil fuels such as coal, natural gas, and petroleum. Only a relatively small fraction comes from nuclear power and renewable energy resources.

Finally, the figure shows that nearly one-third of our total energy is used in industry. Only about one-fifth of the energy, or 20.3 percent, goes to residential use.

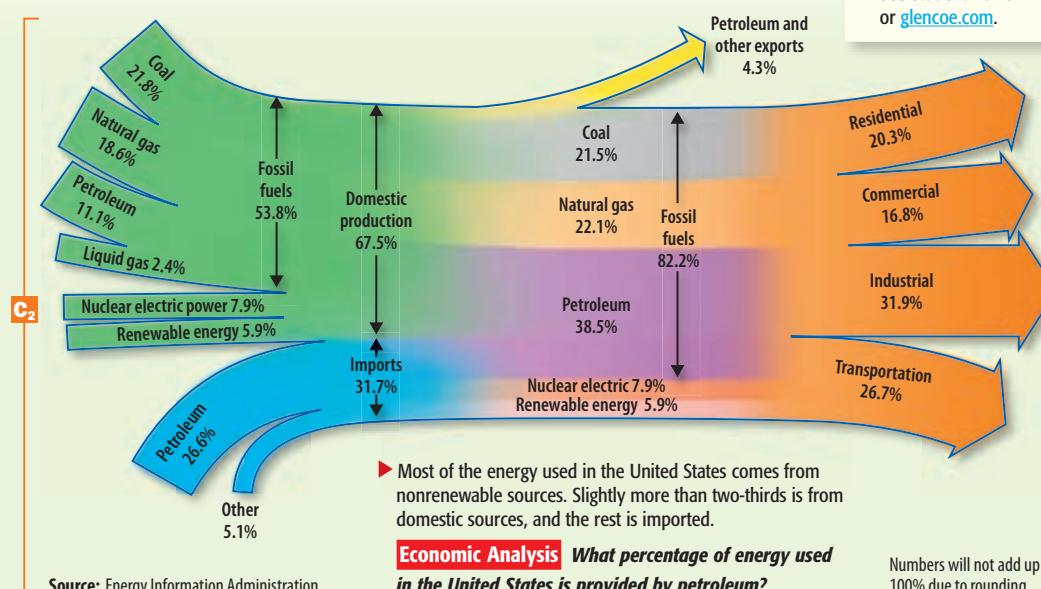
Nonmarket Conservation Efforts

With resources becoming increasingly scarce, efforts are underway to find the best ways to use and preserve them. One way is to appeal to everyone's sense of civic responsibility. For example, we can ask people to drive their automobiles less, to turn off the

Figure 18.4 ▶

Energy Flows in the United States

Charts in Motion
See StudentWorks™ Plus or glencoe.com.



Activity: Hands-On Economics

- Do you think energy availability is a growing problem?
- What sources should the nation investigate?
- Should energy policy be directed by the government or controlled by the free market?
- What is your opinion of biofuels? Nuclear power? Renewable energy sources? Conservation?

- How should the country balance its need for energy with environmental conservation?

After students have written their survey questions, have them find at least 25 people to take the survey. Have students tabulate their answers and share them with the class. Discuss the results of the poll. **OL**

lights when they leave a room, or to adjust thermostats when they are not at home.

Such measures have been tried, but generally they fail to work. Even the 55-mile-per-hour speed limit, which was instituted to conserve gasoline, did not work. Not only did drivers routinely ignore the law, most individual states eventually repealed the lower speed limits.

Markets and Price Incentives

People seem to be much more responsive to changes in prices. When oil was cheaper before 1973, few countries were willing to devote large resources to retrieving it. In 1973, however, the OPEC oil embargo dramatically raised the price of oil. When the price increased sharply, many countries increased their production almost overnight. At the same time, interest in alternative energy sources soared, and countries poured billions into energy-research projects ranging from shale oil to solar power.

By 1981 oil prices had dropped considerably because of a worldwide **glut**—a substantial oversupply—of oil. At the same time, a worldwide recession and efforts at energy conservation further reduced the demand for oil. Oil prices were also kept low after the first Gulf War in the early 1990s because some OPEC members increased production to replenish their financial reserves, which had been depleted during the war.

Lower oil prices had several consequences. First, the search for alternative energy sources began to wane. Second, the exploration for new oil reserves slowed dramatically. Third, consumers changed



Speed Limits
When lower speed limits failed to reduce energy use, most states repealed them. **Why was the 55-miles-per-hour speed limit introduced?**

CHAPTER 18, SECTION 2

R Reading Strategy

Predicting Ask: What do you think will happen on the energy front over the next ten years? Why? **OL**

C Critical Thinking

Making Inferences Have students explain how supply and demand have influenced the price of oil and the interest in developing energy alternatives. (*When oil prices have been high, production increases supply, but people use less and have more interest in finding alternatives; when prices are low, people use more, production and exploration fall, and there is less interest in finding alternatives.*) **OL**

their spending habits again, buying more large houses and low-mileage SUVs instead of fuel-efficient cars. By 2006 increasing demand caught up with stable supply, and energy prices shot up again. This price hike, in turn, renewed interest in conserving energy and stimulated the global search for alternative energy sources.

In the end, the price system that encourages people to conserve energy when oil prices are high does exactly the opposite when oil prices go down. High prices thus help conserve resources, while low prices tend to do the opposite.

Reading Check **Analyzing** Why is the percentage of renewable energy sources in the United States relatively low?

glut substantial oversupply of a product

Skills Handbook

See page R40 to learn about **Analyzing Information**.

CHAPTER 18 Global Economic Challenges 515

Caption Answer: to conserve gasoline

✓Reading Check **Answer:** Many factories and cars are built to run on fossil fuels, we have large reserves of these fuels, and renewable sources tend to be expensive.

Hands-On Chapter Project

Step 2

Global Economy Factbook

Step 2: Researching the Factbook. Students will begin researching their factbook and assembling data to use to write the text and create the graphics.

Directions: Have students join their groups from the previous session. In this session, students will research their factbooks, using the Internet,

school library, and other available resources. (Note: You may want to add an additional research session outside the classroom or assign the research as homework.) As students plan and research their factbooks, circulate around the room to check their ideas and offer suggestions.

Analyzing Visuals Have each group decide on several visuals, such as graphs, charts, tables, photographs, illustrations,

and cartoons to include in their factbooks. For example, you may want to suggest a graph that shows comparable levels of direct foreign investment in the U.S. and other economies. **OL**

(*Chapter Project continued in Section 3.*)

W Writing Support

Personal Writing Discuss instances of pollution that students have seen or read about, ideas they have for preventing or cleaning up pollution, and any other aspects of the topic that occur to you. Then have students write a journal entry that describes their feelings about pollution. **OL**

R Reading Strategy

Monitoring To help students understand the material in the subsection on pollution and economic incentives, have them create word webs for each of the three ways of controlling pollution: *legislated standards*, *pollution fees*, and *pollution permits*. Have students contribute their ideas to webs on the board. **BL**

Caption Answer: that the fresh produce has been exposed to toxic substances

Additional Support

pollution
contamination of air, water, or soil by the discharge of a poisonous or noxious substance

acid rain
pollution in the form of rainwater mixed with sulfur dioxide to create a mild form of sulfuric acid

Pollution and Economic Incentives

MAIN Idea Pollution is a problem for society that can be controlled through legislation, fees, and permits.

Economics & You Does your school have an environmental club? Read on to find what societies do to protect the environment.

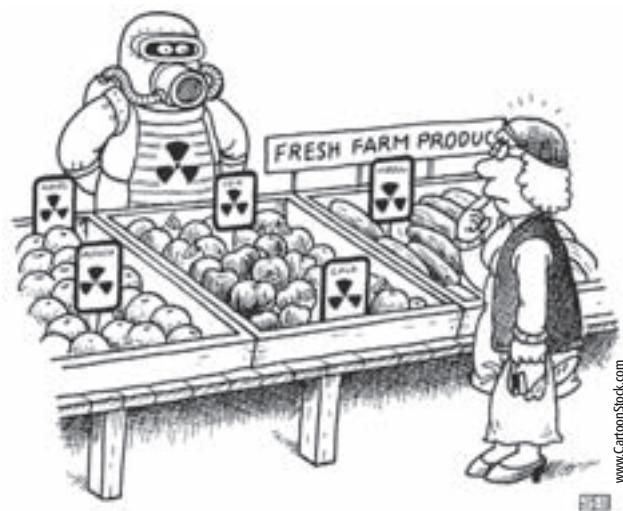
W Economic incentives can help solve the global problem of pollution. **Pollution** is the contamination of air, water, or soil by the discharge of a poisonous or noxious substance. Most economists argue that the best way to attack the problem is to attack the incentives that caused pollution in the first place.

The Incentive to Pollute

Pollution does not occur on its own: it occurs because people and firms have an incentive to pollute. If that incentive can be removed, pollution will be reduced.

For example, factories historically located along the banks of rivers so they could discharge their refuse into the moving waters. Factories that generated smoke and other air pollutants often were located

Pollution Toxic run-off and air pollution can affect agriculture. **What does the protective suit imply?**



farther from the water, but their tall smokestacks still blew the pollutants long distances. Others tried to avoid the problem by digging pits on their property to bury their toxic wastes.

In all three situations, factory owners were trying to lower production costs by using the environment as a giant waste-disposal system. From a narrow viewpoint, the reasoning was sound. Firms increase their profits when they lower production costs. Those who produce the most at the least cost make the most profits.

The cost of pollution to society as a whole, however, is enormous. For example, **acid rain**—a mixture of water and sulfur dioxide that makes a mild form of sulfuric acid—falls over much of North America, damaging forests and rivers. Fertilizer buildup and raw sewage runoff poison ecosystems in other areas. The damage caused by pollution is extensive, but it can be controlled. One way is through government standards passed by law. Another way is through economic incentives.

Legislated Standards

Legislated standards include laws that specify the minimum levels of purity for air, water, and auto emissions. These government standards can be effective, but they are generally inflexible. Once a standard is set, a firm has to meet it or cease production. Because of this, many firms lobby extensively to exempt their industry from pollution control standards.

Congress has declared that all automobiles sold in the United States cannot exceed certain maximum emission standards. Once these standards have been set, the Environmental Protection Agency (EPA) tests random vehicles in every model line of cars. It also samples random cars on the road to ensure that they adhere to the emission controls.

Another pollution-control program was the Superfund that Congress established in 1980 to identify and clean up some of the most hazardous waste sites in the country.

Activity: Hands-On Economics

Debating Pollution Control Select about 10 students and organize them into two teams. Have the teams take opposite sides and debate the following statement: *Limits on pollution should be established by market forces, not by government legislation*. Have students not directly involved in the debate act as judges

and list the major arguments presented in the debate. At the conclusion of the debate, call on a number of judges to share their lists of arguments with the class. Then have students use this information to write a short paper supporting or opposing the statement. **OL**

The intent was to track down the original polluters and make them pay for the cleanup. When it was discovered that many of the original polluters had gone out of business and could not be forced to pay, the law was amended to force existing businesses to help with the cleanup costs. This was not popular with businesses because some firms were forced to pay for the cleanup of wastes that others left behind.

Pollution Fees

A more market-based approach is to charge firms in proportion to the amount of pollutants they release. Depending on the industry, the size of the tax would depend on the severity of the pollution and the quantity of toxic substances being released. A firm can then either pay the fees or take steps to reduce the pollution.

For example, suppose a community wants to reduce air pollution caused by four factories, each of which releases large quantities of coal dust. A \$50 tax on every ton of coal dust released into the air might be applied to each factory. Devices attached to the top of the factory's smokestacks would measure the amount of dust released during a given period, and the factory would be billed accordingly.

Under these conditions, some firms might choose to pay the \$50 tax. Others, however, might decide to spend \$10, \$20, or \$30 to clean up a ton of pollution. As long as it is cheaper to clean up the pollution than to pay the tax, individual firms will have the incentive to clean up and stop polluting.

This tax approach does not try to remove all of the pollution, but it can remove a significant amount. In addition, it provides flexibility that legislated standards lack by giving individual firms freedom of choice.

Real-world examples of pollution fees are more complicated than this hypothetical example, but they all work the same way. In addition, firms that pay the tax also help defray some of the costs of the program, which is a relief to taxpayers.

Tradable Pollution Permits

An expanded version of pollution fees is the EPA's use of **pollution permits**—federal permits allowing public utilities to release specific amounts of emissions into the air—to reduce sulfur dioxide emissions at coal-burning electric utilities. Sulfur dioxide emissions from the

pollution permit
federal permit allowing a public utility to release pollutants into the air

CAREERS

Environmental Scientist

The Work

- * Identify and eliminate sources of pollutants or hazards that affect people, wildlife, and their habitats
- * Analyze measurements or observations of air, food, water, soil, and other resources and make recommendations on how best to clean and preserve the environment
- * May design and monitor waste disposal sites, preserve water supplies, and reclaim contaminated land and water to comply with federal environmental regulations



Qualifications

- * Master's degree with a specialization in environmental or biological science, plus several years of experience in the field
- * Experience with computer modeling, data analysis and integration, digital mapping, remote sensing, and geographic information systems
- * Strong oral and written communication skills
- * Must pass a civil service examination

Earnings

- * Median annual earnings: \$51,080

Job Growth Outlook

- * Average

Source: *Occupational Outlook Handbook, 2006–2007 Edition*

R Reading Strategy

Inferring Have students infer answers to the following questions from the text:

- Why might a company want to pay a tax on some pollution it causes and clean up another kind of pollution? (*It would make cost and benefit calculations for each type and choose the more cost-effective solution for each.*)
- Why might a supporter of strong environmental regulation oppose pollution fees? (*He or she might feel that the fees do not eliminate pollution, but just reduce it. The fees could actually allow companies to continue to pollute if they are willing to pay money to do so.*) **OL**

Additional Support

Activity: Interdisciplinary Connection

Civics In 1999, a district court judge ordered the U.S. Environmental Protection Agency to set pollution limits on Louisiana's waters. The ruling judge said she was requiring the EPA's involvement because the state was slow to set its own water pollution limits. Over the next seven years, limits were to be set first in coastal waters, then in each basin across the state. Have students research the problem and solution on the Internet. Ask them to create

a news report about the situation, including the most recent developments and the effects of Hurricane Katrina, if any, on the decision and its enforcement. News reports should clearly state details of the problem and solution. Remind students to explain the current state of enforcement and any predictions about the future of the decision. **OL**

C Critical Thinking**Identifying Central Issues**

Ask: How do pollution permits limit pollution through supply and demand? (Because the supply of permits is limited, their price will rise as they become more scarce. When the price is higher than the cost of eliminating the pollution, companies will choose what's cheaper.) **OL**

Reading Check Answer:

legislative standards, pollution fees, tradable pollution permits

DID YOU KNOW?

► **Pollution Permits** In 2005 the European Union started to use tradable pollution control permits to control emissions. The supply of permits in the first year was large—resulting in values of a one-ton permit ranging from 9.5 to 13 euros (\$10 to \$15). As fewer permits are issued in successive years, their price will rise.



Student Web Activity
Visit the *Economics: Principles and Practices* Web site at glencoe.com and click on Chapter 18—*Student Web Activities* for an activity on the Environmental Protection Agency.

burning of coal and oil react with water and oxygen to form compounds that fall to the earth as acid rain.

Under this program, the EPA awards a limited number of permits to all utilities. If reducing or cleaning up one ton of emissions costs a utility \$300, and if it can sell a permit for \$350, the firm will decrease its own emissions and sell the unused permit to another utility whose cleanup or reduction costs are higher. If removing a ton of pollutants would cost the second utility \$400, then that company would be better off to buy the permit for \$350 from the first

utility. In either case, one of the utilities has the incentive to clean up a ton of pollutants.

The first set of pollution permits went on sale in March 1993 at the Chicago Board of Trade. The one-ton permits brought prices ranging from \$122 to \$450. The EPA issued additional permits in successive years, but it will issue fewer permits as time goes on, making them scarcer and more expensive. Ultimately, higher prices for the permits will give more utilities the incentive to spend larger amounts of money on antipollution devices.

The system also has advantages for environmentalists who want utilities to reduce pollution at even faster rates. Several environmental groups have purchased pollution permits with their own funds, making them scarcer and therefore more expensive for the utilities.

✓ **Reading Check Summarizing** In which ways can governments control pollution?

Assess

Use the Interactive Tutor Self-Assessment CD-ROM to review Section 2, and then assign the Section 2 Review as homework or as an in-class activity.

Close

Evaluating Have students discuss, from economic and environmental perspectives, the responsibilities people have toward the planet. **OL**

**SECTION
2****Review****SECTION
2****Review****Vocabulary**

- 1. Explain** the significance of scarcity, subsistence, renewable resource, hydropower, biomass, gasohol, nonrenewable resource, glut, pollution, acid rain, and pollution permit.

Main Ideas

- 2. Describing** How did Malthus believe population growth would affect the future of the planet?
3. Identifying Use a graphic organizer like the one below to identify four renewable and four nonrenewable resources.

Resources	
Renewable	Nonrenewable
1.	1.
2.	2.

- 4. Describing** What legislative attempts have been undertaken to control pollution?

Critical Thinking

- 5. The BIG Idea** How does population growth affect world resources? How does this relate to the fundamental economic problem of scarcity?
6. Drawing Conclusions Why does the United States continue to rely on oil as its primary energy source? Write a paragraph explaining your answer.
7. Contrasting How do legislated standards and economic incentives differ in regard to pollution control?
8. Analyzing Visuals Look at Figure 18.3 on page 511. Compare the population growth rates in the United States, Germany, Mexico, India, the Democratic Republic of the Congo, and Afghanistan. What conclusions can you draw from this information?

Applying Economics

- 9. Scarcity** As the president's chief expert on energy issues, what would you suggest we do to conserve our nonrenewable resources? Why?

Answers

- All definitions can be found in the section and the Glossary.
- that it would grow geometrically while our ability to feed the people would eventually be reduced to a subsistence level
- Renewable:** hydropower, biomass, solar, wind. **Nonrenewable:** oil, natural gas, coal, nuclear.
- minimum levels of purity for air, water, and auto emissions; the Superfund cleanup legislation

- It puts stress on economies to deliver increasing amounts of goods and services utilizing scarce resources. This problem of scarcity requires everyone to make choices about the best way to use limited resources.
- Possible answer:** Much of the nation's industrial infrastructure runs on oil.
- Legislated standards: can be effective but are generally inflexible; once a standard is set, a firm has to meet it or cease production. Economic incentives: size of the tax would depend on the severity and quantity of toxic

- substances being released. Individual firms have the incentive to clean up pollution as much as they can or at least up to the point where it becomes more expensive to clean up the pollution than to pay the tax.
- Answers will vary but should note that, as countries become more developed, their birth rates decline.
 - Answers will vary but should reflect an understanding of nonrenewable resources.



CASE STUDY

Toyota Leads in Hybrids

Ahead of the Competition

When Toyota began developing the Prius in 1995, gasoline averaged \$1.24 a gallon. Skeptics stated that such low gas prices did not justify the expense of switching from an internal combustion engine (ICE) to a hybrid gasoline-and-battery-powered “greener” car. Toyota did not listen to the skeptics and instead invested heavily in hybrid technology. A decade later, gas prices had more than doubled, and sales of the Prius hit the half-million mark.



Engineering Green

The long road to the hybrid’s success was riddled with problems—from touchy batteries and an “un-American” design to a trunk so small that it could not hold even a stroller. Yet top managers at Toyota were determined to create an environmentally friendly car that got great gas mileage. Toyota pushed its engineers—more than 1,000 of them—to work out the kinks, delivering the hybrid to the U.S. auto market in July 2000—5 years and \$1 billion after the car’s conception. Despite the

Prius’s “jerky ride” and its high sticker price, Toyota’s new model was a success. Fans of the hybrid car overlook the less-than-smooth ride for the improved gas mileage they get and the money they save at the pump. They also like to do their part for a cleaner planet with the lower emissions produced by the Prius compared to ICE cars.

Setting a Trend

Since the Prius was introduced, many other automakers have jumped on the hybrid bandwagon. But Toyota keeps expanding its list of hybrid cars. Couple that with a strong demand for low-cost, fuel-efficient cars not just in the United States but in other parts of the world, especially Europe, and it’s easy to understand why Toyota has become the market leader in the United States—and one of the world’s biggest automakers.

Analyzing the Impact

- Summarizing** Why did Toyota build the Prius?
- Drawing Conclusions** What problems with the Prius did Toyota have to overcome in order to be successful in the U.S. auto market?

COMPARING HYBRIDS			
2006 Autos	Combined Gas Mileage (MPG)	Monthly Gas Savings	Sticker Price
Honda Insight	63	\$79.37	\$19,330
Toyota Prius	55	\$70.71	\$21,275
Honda Civic Hybrid	50	\$63.89	\$21,850
Ford Escape 2WD	33	\$25.25	\$27,515
Mazda Tribute Hybrid 4WD	31	\$17.92	\$20,705
Mercury Mariner Hybrid 4WD	31	\$17.92	\$29,840
Toyota Highlander Hybrid 2WD	30	\$13.89	\$33,030
Lexus RX 400h 2WD	30	\$13.89	\$49,060

Source: omninerd.com

CHAPTER 18 Global Economic Challenges 519

Activity: Hands-On Economics

Shopping for a Hybrid Have students visit a car dealer who sells one of the hybrid vehicles listed in the feature or another who sells a different type of hybrid vehicle. Have them obtain information about the vehicle, including its mileage estimates, recommended maintenance schedules, and other information they would need to make a buying decision about a hybrid vehicle. Have them also find the manufacturer’s suggested retail price of

the vehicle. Then have them use an online auto-buying information site, such as www.edmonds.com or www.AutoTrader.com, to find out what they are likely to pay for the specific hybrid vehicle they have researched. Conclude the activity by having students discuss whether they would buy the vehicle they have researched and at what price. **OL**



Focus

R Reading Strategy

Making Connections Have students who have driven or ridden in a hybrid car describe the experience. How was it different from riding in a car with an ICE? **OL**

Teach

W Writing Support

Personal Writing Have students write a paragraph telling whether they would buy a hybrid car and why. Encourage them to consider personal, environmental, and economic reasons. Have volunteers read their paragraphs to the class. **OL**

Analyzing the Impact

Answers:

- The company wanted to make money and create an environmentally friendly car that got great gas mileage.
- naysayers, touchy batteries, small trunk design

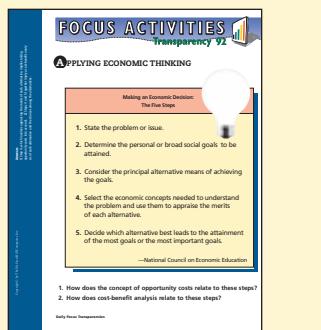
Additional Support

Applying the Economic Way of Thinking

Focus

Bellringer

Daily Focus Transparency 92



GUIDE TO READING

Possible Answers to Graphic:

provides a reasoned framework for decision making; cost-benefit analysis; opportunity costs; adaptable to changing needs of people; free market economy can adjust to change

Resource Manager

520 UNIT 5 The Global Economy

GUIDE TO READING

Section Preview

Economics provides a foundation for analyzing choices and making decisions today and in the future.

Content Vocabulary

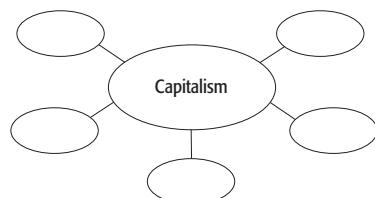
- cost-benefit analysis (p. 522)
- opportunity costs (p. 522)
- modified free enterprise economy (p. 522)

Academic Vocabulary

- equipped (p. 521)
- incapacitated (p. 523)

Reading Strategy

Describing As you read the section, complete a graphic organizer like the one below by describing how capitalism helps us with economic choices.



ISSUES IN THE NEWS

-U.S. News & World Report

Can America Keep Up?

... Over the past century, Americans have become accustomed to winning every global battle that mattered: two world wars, the space race, the Cold War, the Internet gold rush. Along the way, Americans have enjoyed unprecedented prosperity and lived lives that were the envy of the rest of the world.

Today, while unemployment remains low, home values continue to surge, and fearless American consumers keep spending beyond their means, the land of the free is slowly, but unmistakably, yielding advantages earned over decades to foreigners who work harder, expect less, and, often, are better educated. But business leaders, top academics, and other experts ... increasingly see America as a nation that has pulled into the slow lane. . . ■



The U.S. economy had a remarkable run in the last century, making it the world's largest economy. However, where will we be by the end of this century—or in the next few decades, for that matter?

Most economic measures put the U.S. economy on top, but there are no guarantees that it will always be that way. When teams compete in sports, staying on top is

usually more difficult than getting to the top. The same holds true for our economy. How well we do, and how long we continue to do well, depends in large part on our understanding of how we got into this position—and what we need to do to stay there. As you read in the news story, some people have their doubts about how well we will be able to accomplish this feat.

R	C	D	W	S
Reading Strategies	Critical Thinking	Differentiated Instruction	Writing Support	Skill Practice
Teacher Edition <ul style="list-style-type: none"> Making Connections, p. 522 Additional Resources <ul style="list-style-type: none"> Guid. Read. Act., p. 54 Read. Ess. & Note-Taking Guide, p. 160 	Teacher Edition <ul style="list-style-type: none"> Analyzing Visuals, p. 521 Evaluating, p. 524 Additional Resources <ul style="list-style-type: none"> Quizzes and Tests, p. 227 	Teacher Edition <ul style="list-style-type: none"> Interpersonal, p. 523 Visual/Spatial, p. 528 Additional Resources <ul style="list-style-type: none"> Reading and Study Skills Fold., p. 66 Reteach. Act., p. 18 	Teacher Edition <ul style="list-style-type: none"> Personal Writing, p. 521 Persuasive Writing, p. 529 Additional Resources <ul style="list-style-type: none"> High School Writing Process Trans. 	Teacher Edition <ul style="list-style-type: none"> Form. Quest., p. 522 Additional Resources <ul style="list-style-type: none"> Econ. Content Vocab. Act., p. 18 Daily Focus Trans. 92, 97

A Framework for Decision Making

MAIN Idea The study of economics and economic tools help us make the best economic choices.

Economics & You What tools do you use when you make a decision? Read on to learn how the study of economics can help us make choices for the future.

Through your study of economics, you have learned that scarcity requires us to make choices. This began when you discovered different ways to analyze a problem and evaluate alternative solutions for it. You also found out that the social science of economics has evolved to the point where it functions as a generalized theory of choice.

Economics provides a framework for decision making that helps people to become better decision makers. The future will be different from the past, or even the present for that matter. Yet one thing in economics is likely to remain the same—the way we think about problems.

A Reasoned Approach

Economic decision making requires a careful, reasoned approach to problem solving. The National Council on Economic Education, an organization dedicated to the improvement of economic literacy in the United States, recommends the following five steps to useful decision making:

1. State the problem or issue.
2. Determine the personal or broad social goals to be attained.
3. Consider the principal alternative means of achieving the goals.
4. Select the economic concepts needed to understand the problem and use them to appraise the merits of each alternative.
5. Decide which alternative best leads to the attainment of the most goals or the most important goals.

—A Framework for Teaching the Basic Concepts, 2005

Life is full of trade-offs, but you will be better **equipped** to deal with the future if you know how to analyze the problems you will encounter.



W

Decision Making
These high school students discuss different solutions to problems with their project. **Why should you follow decision-making steps?**

C

521

CHAPTER 18, SECTION 3

Teach

W Writing Support

Personal Writing Have students write a paragraph about which of the five steps in the decision-making model they think is the most difficult for them to perform effectively. Have them give examples from their own lives and support their choice with other reasons. Ask volunteers to share their paragraphs. Conclude by asking for suggestions on how students can perform each step more effectively. **OL**

C Critical Thinking

Analyzing Visuals Ask: **What evidence can you see in the photo that the students are using good decision-making skills?** (Answers will vary but may include listening carefully to each other and making notes about the discussion.) **BL**

Caption Answer: to make better decisions; to learn how to use the process in all decision-making situations

Additional Support

Activity: Hands-On Economics

Gazing Into the Economic Crystal Ball

Have students break up into several groups and discuss this question: *What will the U.S. economy look like in the future?* Have students consider the impact of changes in technology, an aging population, foreign economic competition, the environment, and

other factors that could affect the American economy. Tell groups to make predictions about 10 years, 25 years, and 50 years into the future. Call on group representatives to share their predictions with the class. Write on the board any similarities among groups' predictions. **OL**

R Reading Strategy

Making Connections Have students describe how they use cost-benefit analyses, including determining opportunity costs, in their everyday decision making.

OL

S Skill Practice

Formulating Questions Have students review the subsection "Coping With the Future." Then have them write three questions based on the text, along with answers. Students might consider what they want to know about the topic or what information is critical. Have volunteers take turns asking the class their questions.

BL

Caption Answer: It must change to meet the changing desires and needs of people in the future.

✓Reading Check **Answer:** The basic steps are the same in economic decision making as in any kind of decision making.

Hands-On Chapter Project

Step 3

Global Economy Factbook

Step 3: Publishing the Factbook. Students will finish writing and then publish their factbooks.

Directions: Have students write their text and complete their graphic aids. If members of the groups are proficient in creating computer graphics, suggest that they include computer-created graphs, diagrams, and charts and import photos and other illustrations into their factbooks.



Adaptability

Capitalism adapts to the changing wants and needs of people. **Why is adaptability important for an economic system?**

Decision Making at the Margin

Economists use a number of tools to help them analyze problems and make decisions. Some of these tools include production possibilities curves, supply and demand curves, and production functions.

One of the most important decision-making tools is marginal analysis. For example, when a firm makes a decision to produce more output, it compares the extra cost of production with the extra benefits to be gained. If the benefits outweigh the costs, the firm decides to produce more. If the costs outweigh the benefits, the firm decides otherwise.

This process of **cost-benefit analysis** involves comparing the costs of an action to its benefits. Firms use such cost-benefit analyses for most of their production or purchase decisions. Government agencies apply it when they evaluate programs. Individuals use it when they have to make decisions about specific actions they need to take. Cost-benefit analysis is used in a similar way to make choices among economic goals because even if goals conflict, it helps to evaluate the costs and benefits of each choice.

Finally, we must remember that economists use a very broad definition of costs—that of **opportunity costs**. This ensures that we account for all of the costs of a decision, not just the monetary ones.

✓Reading Check **Analyzing** How do the five steps to resolving problems relate to economic decision making?

cost-benefit analysis

way of thinking that compares the cost of an action to its benefits (*also see page 24*)

opportunity cost

cost of the next best alternative use of money, time, or resources when one choice is made rather than another (*also see page 20*)

modified free enterprise economy

free enterprise system with some government involvement (*also see page 53*)

As an alternative, students can cut illustrations from magazines and newspapers, or download them from Internet sources, and glue them into their booklets. Tell groups that they should have their factbooks completed by the next session, when they will present them.

Assessing Remind students that focusing on one example of something can often give insights into a general situation. Suggest that students think about and

Coping With the Future

S MAIN Idea The ability of capitalism to adapt to changes in the market helps economies address economic issues of the future.

Economics & You Do you remember learning how free market economies gradually adapt to change? Read on to find out how this adaptability will help in the future.

Everyone wants to know what will happen to the economy in the future. How will it adjust, and what course will it take? We can find part of the answer by examining the way we make incremental decisions and part of the answer by understanding how markets work.

The success of capitalism, the economic system in which private citizens own the factors of production and use them to generate a profit, will play a role. Capitalism has demonstrated an ability to generate wealth, and it also has shown that it can adapt to the changing desires and needs of people. If it continues to show this adaptability in the future, capitalism will play a dominant role in our lives.

The Success of Markets and Prices

A **modified free enterprise economy**—a free enterprise economy with some government involvement—allows buyers and sellers to freely make all the decisions that satisfy their wants and needs. In such an economy, the forces of supply and demand are allowed to interact to establish prices in a market. Prices, in turn, act as signals for producers and consumers to make or change their production and spending decisions.

A market economy has many advantages, including the ability to adjust to change gradually without the need for government intervention. As long as the forces of supply and demand are allowed to function, they will send producers and consumers the signals needed to reallocate resources.

include an example of one multinational company as a way of exemplifying the activities and organizations of all multinationals. **OL**

(*Chapter Project continued in Visual Summary.*)

The Triumph of Capitalism

During the 1930s, the forces of socialism and communism were sweeping the world, while capitalist countries were in economic depression. Communism in the Soviet Union had considerable impact upon the world, and socialist parties were on the rise in Europe and the European colonies in Africa and Asia.

Since then, communism in the former Soviet Union has collapsed under the weight of its own inefficiencies. Many socialist countries have embraced capitalism and the discipline of the market system.

Capitalism is now the dominant economic force in the world, but it is not the laissez-faire capitalism of the past. Capitalism has changed because people have addressed some of the weaknesses that Karl Marx and others identified many years ago.

The capitalism of the 1930s was ruthlessly efficient in providing only for those who produced or earned enough to buy the necessities of life. Early capitalism had

little room or consideration for the elderly, the ill, or the incapacitated.

Most capitalistic economies today, including the United States, have modified their systems to make them more compatible with prevailing norms of what is right and wrong. The result is a free market economy based on capitalism, yet modified to satisfy the economic goals of freedom, efficiency, equity, security, full employment, price stability, and economic growth.

Capitalism has evolved over the years, and it shows every sign of continuing to do so in the future. In this respect, capitalism adjusts to changes the same way a market adjusts to small changes in supply and demand—incrementally, with adjustments so small that they are hardly noticed in the short run. This ability to evolve, and to adjust to the demands placed on it, are strengths of capitalism that will continue to ensure its success in the future.

Reading Check Summarizing Why has capitalism been able to become the dominant economic system in the world?

SECTION 3

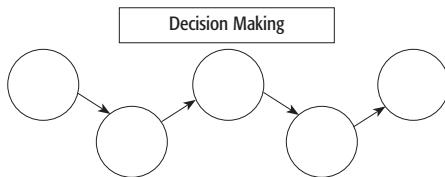
Review

Vocabulary

1. Explain the significance of cost-benefit analysis, opportunity costs, and modified free enterprise economy.

Main Ideas

2. Identifying Use a graphic organizer like the one below to identify the steps in the decision-making process.



3. Describing How does today's capitalism in the United States differs from that of the 1930s?

Critical Thinking

4. The BIG Idea How is cost-benefit analysis useful in the decision-making process?
5. Synthesizing Why has capitalism developed into the most successful economic system? What might this imply about the future?
6. Inferring How does marginal analysis assist in decision making?
7. Analyzing Visuals Look at the photo on page 521. Are the students making their decisions as a group, or do they have a leader? Which approach is better, and why?

Applying Economics

8. Cost-Benefit Analysis Think of a decision you must make in the next few days. Write a paragraph about how you will use your estimates of the costs and benefits to make your decision.

CHAPTER 18, SECTION 3

D Differentiated Instruction

Interpersonal Have small groups describe three major challenges facing our free market capitalist economy. Then have them discuss ways to meet the challenges and propose one way as the most likely to succeed. Have the groups report the information to the class. **OL**

✓Reading Check Possible

Answer: It has proven to be the most successful at adapting to changes.

Assess

Use the Interactive Tutor Self-Assessment CD-ROM to review Section 3, and then assign the Section 3 Review as homework or as an in-class activity.

Close

Identifying Central Issues

Have students develop a one-sentence description of economics. (For example: *Economics is the study of choices.*) **OL**

Review

SECTION

3

Answers

1. All definitions can be found in the section and the Glossary.
2. state problem; set goals; identify alternatives; evaluate alternatives; make a decision
3. The capitalism of the 1930s provided only for those who produced or earned enough to buy necessities and had little room for the needs of others. Today, most capitalist economies satisfy the economic goals of freedom, efficiency, equity, security, full employment, price stability, and growth.
4. It compares the extra cost of an action—the opportunity cost—with the extra benefits to be gained. If the benefits outweigh the costs, then the action should be taken. If the costs outweigh the benefits, then the action should not be taken.
5. its ability to adapt to changing circumstances and ideas of right and wrong; it is likely it will continue to adapt in the future
6. Answers may vary, but students should understand that marginal analysis looks at the cost and benefits of various alternatives.
7. Most students will say that the students are making decisions as a group; answers will vary as to which approach is better.
8. Answers will vary but should demonstrate an understanding of cost-benefit analysis.

Teach

C Critical Thinking

Evaluating Have students break into pairs and discuss the idea that encouraging more women to become economic participants will be positive for all of a society. Tell students to consider benefits as well as potential costs. Then call on volunteers to share their thoughts with the class. **OL**

Examining the Profile

Answers:

1. Answers may include better opportunities for education and health care and bringing more poor people into the economic life of their communities.
2. Most students will agree with Nancy Barry that women will benefit more from micro loans than from subsidies.

Additional Support

A Nobel Prize The idea of microfinance received a huge shot in the arm in 2006. In that year, one of the pioneers in making small loans to poor people to encourage economic development was awarded the Nobel Peace Prize. He is Dr. Muhammad Yunus of Bangladesh. Dr. Yunus is the founder of the Grameen Bank, which, since 1974, has handed out small loans



Nancy Barry has shown many people in the banking industry that it pays to provide money to the poor. In particular, she wants to "bring the poor woman into the center of our focus."

Profiles in Economics

Nancy Barry (1950–)

- president of Women's World Banking since 1990
- recipient of the Forbes Trailblazer Award for her efforts in opening doors for women in business

Banking on Women

Unlike her classmates at the Harvard Business School, Nancy Barry did not want to be an investment banker. She wanted to change the world. For 25 years, Barry has fulfilled that dream in her role as a member and president of Women's World Banking (WWB), a "global not-for-profit financial institution devoted to increasing poor women's economic access, participation and power."

Her early experience in the less developed countries of Peru and Tanzania convinced her that systematic change was necessary to encourage development. According to Barry, women need "access, not subsidies. They need opportunities, not paternalism." As a member of the UN Expert Group on Women and Finance, she has worked with governments in developing countries to ensure that their policies hinder neither business growth nor women's access to it.

Microfinance Provides the Push

Barry passionately believes that microfinance—the practice of lending very small amounts of capital to business upstarts—has the potential to revolutionize women's lives. For example, a micro loan might help a woman in Bangladesh to operate a fruit stand, which would allow her daughters to go to school and her family to have health insurance. The average micro loan from WWB is only \$532—not much by American standards but a huge amount for someone used to surviving on less than \$2 a day.

Unlike traditional bank loans, micro loans are almost always paid off. This has prompted other lenders to offer such loans. Under Barry's leadership, the WWB has grown to include more than 55 microfinance institutions that now serve about 18 million low-income women around the world.

Examining the Profile

1. **Determining Cause and Effect** What is the impact of financially successful women on families and communities?
2. **Drawing Conclusions** What form should financial aid to women take?

Extending the Content

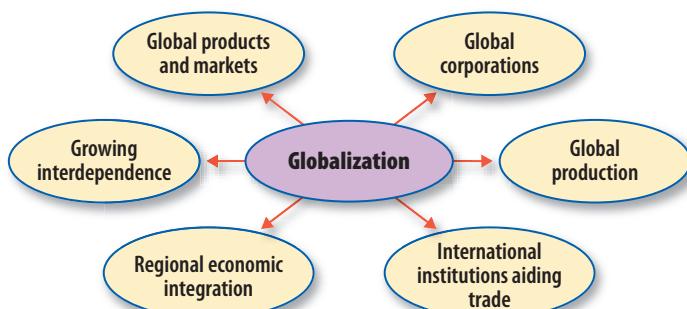
to farmers and others in the poor but populous (141 million people) South Asian nation of Bangladesh. *Grameen* means "rural" in the Bengali language. On awarding Yunus their honor, the Nobel Prize committee made clear the link between economic development and peace and human rights: "Lasting peace cannot be achieved unless large

population groups find ways in which to break out of poverty. Microcredit is one such means. Development from below also serves to advance democracy and human rights."

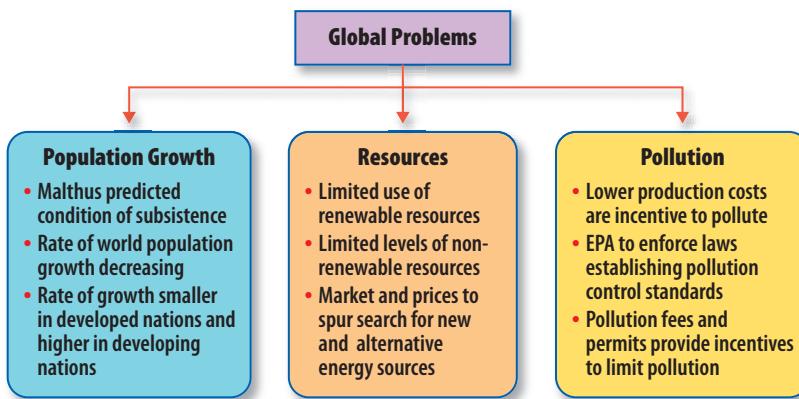


Study anywhere, anytime!
Download quizzes and flash cards to your PDA from glencoe.com.

- **Globalization** With increasing globalization of products, markets, and production, global economic integration and interdependence are growing.



- **Global Problems** An increasing world population puts pressure on available resources, leads to the search for new and alternative energy sources, and requires ways to deal with pollution.



- **Decision Making** Whenever we have to make an economic decision, we can use several tools and models to help with the decision.



Categorizing Refer students to the chart at the top of this page, and review each result of globalization, if necessary.

Ask: What do you consider to be a positive about each factor? What is a negative about each factor? **OL**

Problem-Solving Divide the class into three discussion groups. Assign each group one of the three global problems shown in the center graphic. Have groups write a one-sentence statement summarizing the problem. Then have them list possible solutions that developed countries, international organizations, and developing countries could take to address each problem. Have each group report to the class on the problems and solutions it identified. After all the groups have reported, conclude by having the class discuss this question: *What is likely to happen if these problems are not solved?* **OL**

Hands-On Chapter Project

Step 4: Wrap Up

Global Economy Factbook

Step 4: Presenting the Factbook.

Students will present their factbooks and discuss issues they raise.

Directions: Have students present their factbooks to classmates, describing how they chose what to include and how to present their information. As an alternative, you may want to have groups exchange booklets and evaluate one another's work, giving it letter grades in various areas, such

as information, presentation, use of graphics, and so on.

Synthesizing **Ask:** *What steps can our community take now to make sure that the growing global economy of the future is beneficial, rather than harmful, to our businesses, labor force, and way of life?*

(Answers will vary but may include paying increased attention to tolerance and understanding others' customs or taking proactive measures now to avoid future problems.) **OL**



This easy-to-use software includes extensive question banks and allows you to create fully customized tests that can be administered in print or online.

Review Content Vocabulary

- | | |
|------|------|
| 1. h | 2. g |
| 3. c | 4. d |
| 5. f | 6. a |
| 7. e | 8. b |

Review Academic Vocabulary

- | | |
|-------|-------|
| 9. f | 10. e |
| 11. b | 12. a |
| 13. c | 14. d |

Review the Main Ideas

15. Markets expand beyond national boundaries; products from many different countries become available and standardized; production tends to migrate to be near customers and the cheapest resources.
16. EU, NAFTA, ASEAN, FTAA, COMESA
17. Economies of various countries are more closely linked and more dependent on each other than ever before.
18. Malthus did not foresee advances in productivity that allow an increasing standard of living to accompany a growing population. He also did not foresee that families might have fewer children.
19. production increased; interest in alternative energy sources soared, and countries poured billions into energy-research projects; consumers demanded more fuel-efficient cars

Review Content Vocabulary

Identify the term that best completes the following sentences.

- | | |
|----------------------|----------------------|
| a. acid rain | e. opportunity cost |
| b. division of labor | f. outsourcing |
| c. gasohol | g. pollution permits |
| d. globalization | h. subsistence |

1. The state in which the population produces barely enough to support itself is _____.
2. By issuing fewer and fewer ____, the EPA hopes to reduce sulfur dioxide emissions.
3. ____ is a mixture of 90 percent unleaded gasoline and 10 percent grain alcohol, or ethanol.
4. ____ is the movement toward a more integrated and interdependent world economy.
5. Many U.S. companies use ____ to lower operating costs by shifting some operations to countries with lower wage rates.
6. ____ is a type of pollution in which rain mixes with sulfur dioxide emissions to create a form of sulfuric acid.
7. Economists use the term ____ to ensure that all the costs of a decision, not just the monetary ones, are included.
8. An example of ____ is the separate tasks performed by employees who work on an assembly line.

Review Academic Vocabulary

Match each of the terms with its synonyms.

- | | |
|--------------------------|---------------------------|
| a. compounded | d. incapacitated |
| b. context | e. strategy |
| c. equipped | f. successive |
| 9. following, subsequent | 12. intensified, worsened |
| 10. design, tactic | 13. outfitted, prepared |
| 11. framework, situation | 14. injured, disabled |

526 UNIT 5 The Global Economy

20. The incentive to pollute is that it costs less than to not pollute; companies will choose the lower-cost alternative.
21. It allows one to compare the potential costs and benefits of a decision.
22. The success of any economy depends on its ability to adapt to change. Examples of this are (1) the failure of communism in the former Soviet Union and Eastern Europe to provide for citizens, and (2) the success of modified free market capitalism.

Review the Main Ideas

Section 1 (pages 501–507)

15. **Describe** how markets, products, and production increase globalization.
16. **Identify** regional economic organizations by using a graphic organizer like the one below.



17. **Explain** the meaning of *global interdependence*.

Section 2 (pages 509–518)

18. **Describe** why, despite Malthus's predictions, certain parts of the world have enjoyed steadily increasing standards of living.
19. **Describe** how American consumers and the automobile industry reacted to the oil price increases of the 1970s.
20. **Explain** why incentives exist that cause pollution and how they work.

Section 3 (pages 520–523)

21. **Identify** the importance of cost-benefit analysis.
22. **Describe** why adapting to change is important for an economic system.

Critical Thinking

23. **The BIG Ideas** As both an environmentalist and an economist, which of the incentives to preserve scarce resources would you advise using? Why?
24. **Synthesizing** Select one of the resources discussed in Section 2. How can the price system help ensure that this resource is used wisely?

Critical Thinking

23. Answers will vary but should take into account the viewpoints of both an environmentalist and an economist.
24. Answers will vary but should demonstrate an understanding of how the price system in a market economy influences the behavior of both consumers and producers.

- 25. Making Comparisons** If you had to decide to use either legislated standards or a pollution tax to reduce pollution, which would you choose? In your reasoning, explain the pros and cons of each approach.
- 26. Predicting** How might the world be different in 50 years if we do not use resources wisely today?
- 27. Analyzing** Globalization has led to an increase in interdependence. In your opinion, is this a positive or negative trend? Explain your reasoning.

Thinking Like an Economist

- 28. Critical Thinking** Renewable energy resources account for only a small portion of our total energy production. Explain the changes that would have to take place in order for people to make greater use of renewable energy resources.

Math Practice

- 29.** The table below shows the average gross domestic product (GDP) for low-, middle-, and high-income countries for the years 1990 and 2004. Study the table, and then answer the following questions in short paragraphs.
- Determine the percentage change in GDP for low-, middle-, and high-income countries. How do these rates compare?
 - What might explain the difference between the growth rates?
 - How might growing globalization change the GDP for these countries?

GDP AND INCOME		
	1990	2004
Low income	\$609,821	\$1,239,169
Middle income	\$3,238,587	\$7,156,777
High income	\$17,887,372	\$32,900,093

Source: World Development Indicators, 2006, World Bank

Interpreting Cartoons

- 30.** Examine the cartoon below. What issue is being addressed by this cartoon? Why is this a problem?



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jeffparker@juno.net

Applying Economic Concepts

- 31. Scarcity** Scarce natural resources are an issue that concerns citizens throughout the world. What can you personally do to help conserve resources?
- 32. Modified Free Enterprise Economy** The United States has a modified free enterprise economy in which the government provides some regulation. Based on what you have learned about globalization and global problems, do you think the government should play a smaller or larger role in regulating the U.S. economy? Give reasons to support your answer.

Writing About Economics

- 33. Expository Writing** Access to clean water and sanitation is important to maintaining health. Research the availability of clean water for a developing country. Determine what problems exist and how these problems affect economic development. Then identify steps the country is taking to deal with the problem. Also discuss aid the country might receive from outside sources to deal with the problem.

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- 25.** Answers will vary but should demonstrate an understanding of the pros and cons of each.
- 26.** Answers will vary but should demonstrate an understanding of the consequences of depleting nonrenewable resources.
- 27.** positive: greater variety of products, lower costs, standardized products, increased regional economic integration, may lead to greater international cooperation and peaceful solutions to world problems

negative: outsourcing, may be seen as threat to national security and national culture, possible job loss as developing countries produce items once produced in industrialized nations, threats to national economies when one “link” in the global economies weakens or collapses

Thinking Like an Economist

- 28.** Answers will vary but may include government incentives, including

Have students visit the Web site at glencoe.com to review Chapter 18 and take the **Self-Check Quiz**.

financial, to research and develop renewable energy resources, an infrastructure to support their uses, and public acceptance of these energy resources.

Math Practice

- 96.8%; 120.9%; 83.9%
- Partly developed countries in the middle group, such as China and India, developed faster than very rich or very poor countries.
- It is likely to raise the GDP for poor and medium countries, as they gain more production facilities because of their lower labor costs.

Interpreting Cartoons

- the growing global population; because there are limited resources

Applying Economic Concepts

- Answers will vary but should be logical and well reasoned.
- Answers will vary but should demonstrate sound economic reasoning.

Writing About Economics

- Answers will vary but should demonstrate an understanding of the economic and environmental issues involved.



Focus

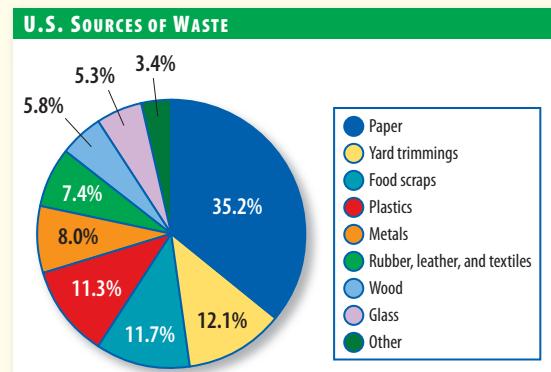
Ask for a show of hands to identify students whose families recycle. Have volunteers describe their family's recycling practices. **Ask:** What things would make it easier for your family to recycle even more waste? (Students may mention economic incentives, closer proximity to recycling facilities, or companies using less packaging.)

Teach

D Differentiated Instruction

Visual/Spatial Have groups of students create the storyboard for a television public service announcement (PSA) about recycling. Ask groups to share their story boards with the class. Alternatively, ask auditory/musical learners to create radio PSAs and present them to the class. **OL**

Additional Support



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Activity: Hands-On Economics

Recycling Dollars and Sense Have a student team contact a local recycling center to find out about the economics of recycling. Have them talk to a manager to find out information such as the following:

- Does our community's recycling program pay for itself?
- How have the prices you receive for various recyclables such as glass, newsprint, and aluminum varied over the years?

- Are prices now relatively high or low?
- What trends do you see in the recycling industry?
- What plans does your facility have for the future?
- How can students help your recycling efforts?

Have the team report to the class about their findings. **OL**



photo: recycling bins outside Cloth Hall in Krakow, Poland

peelings. The bins for "other" household trash often are the size of a regular kitchen trash can and may hold weekly trash for up to 3 families. With all the material that gets recycled, that's usually plenty of space.

While the Germans may call themselves the "world champions of recycling," the citizens of Copenhagen, Denmark's capital, may be the real thing. The city adopted regulations in 1991 to recycle 58 percent of household, commercial, and industrial waste, incinerate 24 percent, and deposit only 18 percent in landfills. Copenhagen has not quite reached its goals, but it reduced the number of landfills from 30 to 3.

Take Back That Apple

Companies doing business in Europe have had to adapt to European attitudes and laws. In many countries, for example, stores are required to take back any unwanted packaging material. This has had a surprising side effect: packaging became simplified—and cheaper. Today, U.S. computer companies such as IBM, Apple, and Dell take back old computers and components when customers purchase new ones.

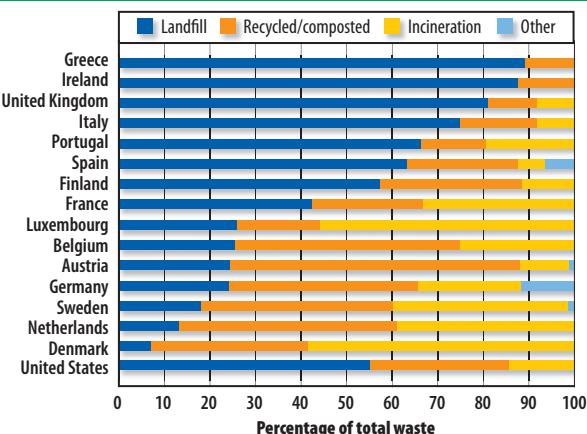
What Does It Mean for You?

While U.S. recycling efforts have been largely voluntary, the European example has had an impact on this side of the Atlantic. Today you can find trash cans that divide waste into recyclables and regular waste in many public places. In 2006 Maine became the first state to require makers of televisions and computer monitors to pay for recycling and safely disposing of their old products. U.S. companies have learned that customers appreciate their recycling efforts. Many European recycling programs are now in effect in the United States, Canada, and elsewhere in the world.

Analyzing the Issue

- Identifying** How do European countries make recycling easy for their citizens?
- Analyzing Visuals** Take a look at the graph titled "U.S. Sources of Waste." What are the three largest sources of waste? How could individuals and corporations help lower this percentage?
- Applying** Research recycling efforts in your community. Then use the examples from these pages to outline improvements to these efforts.

WASTE MANAGEMENT IN EUROPE AND THE UNITED STATES



Sources: Defra; National Energy Education Development Project, Museum of Solid Waste

photo: landfill in the United States



Assess/ Close

W Writing Support

Persuasive Writing Have students use the information in the bar graph to write a letter to the local newspaper encouraging recycling in your community. Have volunteers share their letters. Discuss issues they raise as a class. **OL**

Analyzing the Issue

Answers:

- They charge for trash disposal, while recycling is free; recycling bins are placed near homes and stores; and stores are required to take back packaging material.
- plastic, fabric, paper; answers will vary about possible actions that might lower this percentage
- Answers will vary but should demonstrate an understanding of issues raised in this feature.

Additional Support

Activity: Interdisciplinary Connection

Science Ask a science teacher or local recycling expert to speak to your class about the science of recycling. Have him or her prepare a short presentation on how certain common materials are recycled, costs associated with recycling, how much

energy or raw material is saved when recycling is used, special scientific challenges the recycling industry faces, and other relevant topics. Have your students prepare questions for the guest speaker to address. **OL**