High School Social Studies Enrichment



GOMPARING PRICES AMONG COMPETITORS

The United States Postal Service (USPS) has no competitors in the delivery of first-class mail. The Postal Service does not, however, have a monopoly over other types of delivery. Customers can choose from many options.

The table below shows what it costs to send a 1-pound and a 20-pound package from Boston, Massachusetts, to Denver, Colorado, by three carriers. The prices reflect some differences among the carriers. Federal Express (FedEx), for instance, charges one rate for delivery anywhere in the continental United States. DHL and USPS have different rates for different zones.

W DOMESTIC SHIPPING RATES

		1-pound packag	e		20-pound package	
	USPS	DHL	FedEx	USPS	DHL	FedEx
Next day	\$18.80	\$27.83	\$32.54	\$56.35	\$75.21	\$95.82
Second day	\$4.05	n/a	\$26.66	\$30.30	n/a	\$76.71
Third day	n/a	\$10.72	\$14.16	n/a	\$48.33	\$48.96
Ground	\$1.73	\$4.29	\$4.67	\$9.03	\$12.55	\$13.63

Source: ratès quoted by carriers, Redroller, July, 2006

(1) What is the cheapest rate for sending a 1-pound package? ————————————————————————————————————
•
(2) What is the most expensive rate for sending a 1-pound package?
A 20-pound package?
(3) How does speed of delivery affect the delivery price?
How does weight affect the delivery price?
(4) How much less expensive is it to send a 1-pound package by ground service with USPS than with FedEx?
Than with DHL?
How much of a premium does each company charge for its fastest service? To find out, look at the percent of increase in price over each company's slowest service. Use this formula:
Percent increase = (rate for fastest $-$ rate for slowest) \div rate for slowest \times 100
For example, to find the percent increase charged by DHL, apply the formula as follows:
Percent increase = $(27.83 - 4.29) \div 4.29 \times 100 = 23.54 \div 4.29 \times 100 = 549\%$
(5) What is the percent increase for a 1-pound package with FedEx?
With USPS?

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BIGURING FINANCE CHARGES

Different credit card companies use different interest rates to calculate finance charges. They also use different methods of calculation. Each method applies the monthly interest rate to an account's balance at a different point during the month. Consider these three methods.

Previous Balance
Finance charge $=$ Amount owed at beginning of the month $ imes$ monthly interest rate
Adjusted Balance
Finance charge = Amount owed at end of the month \times monthly interest rate (To calculate the amount owed at the end of the month, subtract any payments made from the amount owed at the beginning of the month.)
Average Daily Balance
Finance charge = Average daily balance \times monthly interest rate (To calculate the average daily balance, add the amounts ower each day and divide by the number of days in the month or billing period.)

Directions: Use the above table to calculate and compare the amount of interest paid.

Suppose that you spent \$200 on clothes and paid with a credit card. Your credit card company's monthly interest rate is 1.6 percent, and you paid \$100 of your bill halfway through the month. Figure out the finance charge for the first two methods.

**- =		
(1) Previous Balance	(2) Adjusted Balance	

Now figure the finance charge with the average daily balance method. Base your calculations on a 30-day month. Provide the amount of the average daily balance and the finance charge.

TOTAL CITE WITTOWITE D. D. C.		
(3) Average Daily Balance	-	Finance Charge

Most credit card companies advertise their APR. APR stands for annual percentage rate. In general, the monthly interest rate is found by dividing the APR by 12. Give the monthly interest rates for each of the following APRs.

(4) 14.4% _	19.2%	10.8%	

Finally, see how much the clothes you charged will cost you in the end if you pay \$50 a month. Use the 1.6 percent monthly rate again and the previous balance method to fill in the chart. **(5)**

	January	February	March	April	V	llay
Previous Balance	200.00	153.20				
Finance charge	+ 3.20	-+	+	+	+	
TOTAL	= 203.20	=		<u></u>		**
Payment	- 50.00	- 50.00	- 50.00	- 50.00		
New Balance	= 153.20	<u> </u>	_			

^{**} Add this amount to the \$200 you have paid to see what the clothes actually cost you.

Actual	cost	of	clothes	=	(6)
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lame		Date	1 200	W. 4-0	
			Ozass		

OMPUTING HOUSING COSTS

(1) Room. Economy Inn. Route 13. \$95/week.

You have graduated from high school, and you need to find a place to live in the city where your college or new job is located. There are many factors to consider in choosing a place to live, including location, size, and price. You have a few ideas about what you are looking for and can afford. You know that you want to be right in the city, not in a nearby town, but you have not decided yet whether you will live alone or share a place with one or two of your friends. Your cat will be coming with you. You have \$4,000 for housing for the year.

Directions: Look over these ads for places to rent. Jot down how much your monthly rent will be for each place listed. Assume that you will share a two-bedroom place with one friend and a three-bedroom place with two friends.

(2) Large 1-bedroom apt. Freeville. \$400 includes.	
(3) Downtown 3-bedroom apt. \$690 includes.	
(4) 2-bedroom apt close to campus. \$600 includes.	
(5) Deluxe 1-bedroom apt. No pets. \$525+.	·
(6) Fine room downtown with fireplace, patio. \$295 includes.	
(7) 2-bedroom, separate entrance. \$550 includes.	
(8) Room. Share house, nonsmoking. \$275 includes.	
(9) New 3-bedroom apt, no pets. \$525 includes.	
(10) 1-bedroom apt near mall. \$470 includes.	
(11) 2-bedroom, yard, pets welcome. \$400+.	
You realize there are several places you can reject right away. Cross out the cross out the places that are out of town or on the outskirts: #1, #2, #10. What is the cheapest place left? (12)	tice, though, that while most of the has a plus sign instead. What does electricity, heat, water) for the ount listed as rent. Look again. What
The place advertised in #11 still appeals to you, so you ask about other experough monthly figures: water \$20, heat and electricity combined \$100. The land pay \$10 a month for garbage pickup and that if you want cable TV, the local primonth after that for basic service. You will also need a phone, which you find ou \$20 a month, not counting long-distance calls. If you split all the monthly costs with a roommate, what is your monthly share?	lord also says that you will have to ce is \$24 for hook-up and \$20 a ut is \$30 to buy, \$60 to install, and
If you split all the one-time costs with a roommate, what is your share? (15)	

How much will it cost you per month to live in #11? (16) ___

Can you afford the monthly costs (rent + utilities) for a year with \$4,000? (17) _

How much will you have left over to cover your share of the one-time costs and other expenses? (18)

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PRACTICE FOR



NALYZING A PAYGHEGK

Each pay period employers withhold a portion of the federal income tax and often part of the state income tax so that employees do not have to make one large payment at the end of the year. The paycheck stub provides information about amounts deducted from a person's pay such as social security (FICA taxes) and retirement funds.

A paycheck stub might look like this:

	Gross Pay	FICA	Federal	State	Retirement	Net Pay
CPP (current pay period)	473.30	29.34	54.00	11.93	14.19	363.84
YTD (year to date)	1,419.90	88.02	162.00	35.79	42.57	

Directions: Study the stub carefully, t	hen do some	math to answ	er these ques	tions.	
How many paychecks has this person rece What amount is actually printed on the pa					
How much has this person had withheld to the person had been person had withheld to the person had wit	or federal inco	me tax in this p	pay period?		
What percentage of the person's gross pa (5) For state	y is withheld fo	or federal taxes	each payment	period?	
What percentage of gross pay is contribut (8)	ed to FICA? (7)		To the re	etirement fund?
Fill in this paycheck stub for someone person's pay is based on 50 weeks per year \$2,341, and the total state tax withheld w	ır. The year's to	ed two weeks stal federal inco	for a total of 8 me tax withhel	0 hours at \$8.1 Id for this perso	4 an hour. The
Gross Pay	FICA	Federal	State	Retirement	Net Pay
CPP (current pay period) (9)	40.37	www.		0	

Federal taxes withheld comes to a sizable amount. Where does this money go? One way of looking at how the federal government spends your tax dollars is to apply the percentages spent by the government in different areas to the amount you pay in federal taxes. For instance, in a recent year the government spent 2.4 percent of its budget on veterans' programs. It is possible to think that 2.4 percent of your total taxes went to veterans' programs. If you paid \$1,120 in taxes, then, \$26.88 went to veterans' programs. To arrive at the dollar amount, you multiply your total taxes by the percentage: $$1,120 \times .024 = 26.88 .

	Calculate flow many of your tax dollars went to each of the following areas:
ł	(10) 7.1% health (11) 19.6% national defense
-	(12) 3.5% education(13) 13.7% interest payment on the national debt

MATH PRACTICE FOR ECONOMICS



PAYING TAXES

Many factors affect how much income tax you pay. Two important factors are how much you earn and where you live. The amount you pay in federal taxes does not depend on where you live, but the amount you pay in state taxes varies from state to state.

Take a look at federal income tax first. Currently there are six tax brackets for individuals: 10 percent, 15 percent, 25 percent, 28 percent, 33 percent, and 35 percent.

Here is how to calculate federal tax for a single individual:

If taxable income is more than	But not more than	You pay	of the amount over
\$0	\$7,300	10%	\$0
7.300	29,700	730 + 15%	7,300
\$29,700	71,950	4,090 + 25%	29,700
71.950	150,150	14,652 + 28%	71,950
150.150	326,450	36,548 + 33%	150,150
326,450	•	94,727 + 35%	326,450

Directions: Use the table to compute the tax that would be paid on each of the following incomes:

(1) \$12,000	
(2) \$28,000	
(3) \$53,600	unante de la constante de la c
(4) \$120,000	
(5) \$360,000	

What you pay in state income tax depends on what state you live in. Some states have a range of tax rates. Some, such as Illinois, Michigan, and Pennsylvania, have a flat rate, which applies to all incomes. Other states, like Connecticut, have a graduated tax. Still other states, such as South Dakota, have no state income tax at all. Suppose your taxable income was \$12,000.

(6) If you lived in Illinois, you paid 3 percent, or \$
(7) If you lived in South Dakota, you paid 0 percent, or \$
(8) If you lived in Michigan, you paid 3.9 percent, or \$
(9) If you lived in Connecticut, you paid \$300 plus 5 percent of earnings above \$10,000, or
(10) If you lived in Pennsylvania, you paid 3.07 percent, or \$
If your taxable income was \$43,000, how much would you pay in state income tax in
(11) Illinois? (12) Michigan?
(I) minors.

Sales tax rates also vary from state to state. For example, the state sales tax in Hawaii is 4 percent, in Mississippi 7 percent, and in Florida 6 percent.

How much sales tax would you have to p	ay on a \$12 CD bought in	
(13) Hawaii? (14) Mississi	ppi? (15) Florida	1?
How much sales tax would you pay on a	\$975 couch bought in	
(16) Hawaii? (17) Mississ	ippi? (18) Florida	a?
* *		

MATH PRACTICE FOR ECONOMICS



BIGURING INFLATION'S EFFECTS

Higher inflation often means lower living standards. Even if you receive a pay raise, your purchasing power may decrease unless it matches the rate of inflation. You can find how a raise will affect your purchasing power using this equation:

Rate of Raise - Inflation Rate = Change in Purchasing Power

Complete the table below and answer the questions that follow.

Rate of Raise	Rate of inflation	Change in Purchasing Power
5%	1%	4%
5%	8%	(1)
8%	(2)	2%
(3)	7%	-4%

If the inflation rate is 7 percent and your raise is 3 percent, has your purchasing power increased or decreased? (4) By what percent? (5)
Now try this example. Suppose you earn \$400 a week and inflation averages just 3 percent this year. By what percent do your wages need to increase to stay even with inflation? (6) To find out what this percent is in dollars, write the percent as a decimal (7) and multiply by your weekly salary of \$400. Your raise would need to be (8) \$ just to maintain your purchasing power. To increase your purchasing power by only 1 percent, what would you need to earn each week? (10)
Inflation has a serious effect on the lives of people living on fixed incomes, primarily retirees. Suppose you retired in 2000 and started receiving monthly checks of \$1,000. You spent \$600 on rent and utilities, \$100 on food, and \$150 on medical care, including insurance. That left you (11) \$ for other expenses.
By 2005 everything was more expensive. The CPI for housing changed from 170 to 196, for food from 168 to 191, and for medical expenses from 261 to 323. To find what your new expenses are, use this formula:
New expense = Old expense × 2005 CPI ÷ 2000 CPI
Your new expense for housing is about (12), for food is about (13), and for medical care is (14) Would your monthly check cover these expenses? (15)

Name Date_	Class	
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Personal Finance Activity 1

Balancing Your Checkbook



ACTIVITY GOAL

This Personal Finance Activity will teach you to balance a checking account. It will demonstrate the use of a check register and banking statement. You will learn that some withdrawals from your account are immediate while others take time to process.

DIRECTIONS: Recording transactions in your check register completely and immediately will help you better track your money. To make sure that you and your bank have not made any mistakes, it is important to balance your account each month. Your bank will probably send you a monthly statement with a worksheet to help you balance your account. Many banks also provide statements online as well. Look at the partial check register below. Then review the bank summary on the next page. Use the following steps and the worksheet on page four to balance this checking account.

Check Register						
CHECK NUMBER	DATE	TRANSACTION DESCRIPTION	PAYMENT AMOUNT	√	DEPOSIT AMOUNT	BALANCE
	9-1	Balance brought forward	A CONTRACTOR OF THE PARTY OF TH	V		\$2,058.62
1271	9-10	Mayfield Bank (auto pmt.)	124.66			1,933.96
	9-15	Deposit (paycheck)			342.77	2,276.73
	9-22	ATM withdrawal - Locust St.	20.00			2,256.73
1272	9-25	Bally's Music Store	28.72		-	2,228.01
1273	9-29	Quest Wireless Co	34.99			2,193.02
	9-30	Debit card – J.B. Grocer	15.18			2,177.84
	10-1	Deposit (paycheck)			342.77	2,520.61
	10-5	Deposit (gift from Aunt Eva)			50.00	2,570.61
	10-5	Withdrawal - transfer to savings	100.00			2,470.61
1274	10-6	Adam's Bike Shop	22.38			2,448.23



Name		1740	Class		
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Personal Finance Activity 1 (continued)



	Checking Account Accou	: Summary from 9/1 to 9/30 nt #123-456789	
9/1 2 1 9/30	Beginning Balance Checks Withdrawals/Debits Deposits/Credits Ending Balance	\$2,058.62 \$(153.38) \$(35.18) \$342.77 \$2,212.83	
CHECKS	F • H	Amount	
Check #	Date Paid	124.66	
1271 1272	9/13 9/27	28.72	
WITHDRAY	VALS/DEBITS		
Date	Amount	Description	
9/22	20.00	ATM at 1582 Locust St.	
9/30	15.18	Debit Card purchase at J.B. Grocer	
DEPOSITS	The state of the s		
Date	Amount	Description Acct 0023*****723	
9/15	342.77	Direct Payroll Deposit, Acct. 0023*****723	

Step 1: Compare the check register to the bank checking account summary. Look in the Checks section of the account summary. Note that checks 1271 and 1272 are listed in this section. Place a checkmark in the appropriate column of the check register for each of these checks. The checkmarks in your register will remind you that these checks have been received by the bank and the amounts have been taken out of your account.

Step 2: Look at the Withdrawals/Debit section of the summary. Find these transactions in the check register and put checkmarks next to them.

Step 3: Look at the Deposits section of the summary. Find the deposit in the check register and put a checkmark next to it.

Name	Date	Class	,
Personal Finance	Activity 1 (continued)		(\$)
Although the bank state	ctions in your check register that ement covers dates from 9-1 to 9-3 in why you think it is not shown.	do not have checkmarks no 30, the check written on 9	ext to them. 29 is not shown
Step 5: Look at the Wo for the ending balance f write it on line 1 of the	orksheet to Balance a Checking Actrom your statement or summary. worksheet.	count on the next page. The Find that balance on the b	ne first line asks ank summary and
Step 6: Find the deposidate and the amount of of these deposits on line	ts in the check register that do no each of these deposits in the second 2.	t have checkmarks next to nd section of the workshee	them. Enter the t. Write the total
Step 7: Add line 1 to li	ne 2. Place the total on line 3 of t	he worksheet.	
not have checkmarks ne	gister, find the checks, debit card text to them. Enter the information these transactions on line 4.	ransactions, and other with for each in the fourth sec	ndrawals that do tion of the work-
Step 9: Subtract line 4 check register? If so, you	from line 3. Does this amount equal have successfully balanced this ac	ual the balance shown on t	he last row of the
Step 10: Sometimes account does not balance	counts do not balance on the first ce?	try. What things can you i	echeck if your

Name	Date	Class

Personal Finance Activity 1 (continued)



	made after statement da	te.		
Date	Amount	Date	Amount	
Enter the total of above	deposits and credits.		(2) \$	<u> </u>
Subtotal line (1) + line ((2)		(3) \$	
not shown on the staten Check #/Date	ransactions, and other winent. Amount	Check #/Date	Amount	
		· · · · · · · · · · · · · · · · · · ·		

	Name	Date	Class	
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Personal Finance Activity 2

Tracking Your Spending



ACTIVITY GOAL

This Personal Finance Activity will help you consider your own spending habits. It will also give you a chance to look at another person's habits. Helping someone improve their budgeting may help you look at your own spending habits more objectively.

DIRECTIONS: A budget allows you to look at your spending versus income. If the amount of spending is more than you earn, changes need to be made. In this activity, you will evaluate a student's budget and make suggestions to improve his spending and saving habits. The student tracked all of his purchases for one month the following chart. He works 12 hours per week, earning a net pay of \$7 per hour. His parents also give him \$15 each week for school lunches. Using this information, answer the questions below.

Week No.	Items Purchased	Cost
Week 1	Lunches—\$2.50 × 5 lunches	\$ 12.50
	Vending machine (pop and snacks)—\$1 × 5 days	5.00
	Movie and snacks at theater	12.00
	2 books	24.00
	Shoes	38.00
	Paid Mom and Dad for gasoline used in their car	8.00
Week 2	Lunches—\$2.50 × 5 lunches	12.50
	Vending máchine (pop and snacks)—\$1 × 5 days	5.00
	Dinner at restaurant	7.00
	Video game	35.00
	Paid Mom and Dad for gasoline used in their car	12.00
Week 3	Lunches—\$2.50 × 5 lunches	12.50
	Vending machine (pop and snacks)—\$1 × 5 days	5.00
	2 music CDs	28.00
	Sweater (\$46) and jeans (\$62)	108.00
	Paid Mom and Dad for gasoline used in their car	10.00
Week 4	Lunches—\$2.50 × 5 lunches	12.50
	Vending machine (pop and snacks)—\$1 × 5 days	5.00
	Paid cell phone bill (\$34 for monthly bill + \$15 for using extra minutes)	49.00
	Dinner at restaurant	8,50
	Movie and snacks at theater	11.00
	Music CD	15.00
	Paid Mom and Dad for gasoline used in their car	8.00

Are the student's income s his money? Explain your a	t spend this month? V ources or expenses hig		·
Are the student's income s his money? Explain your a	ources or expenses hig inswer.		
Are the student's income s his money? Explain your a	ources or expenses hig inswer.		
			\$
Are there any items that the Explain your answer.		paid too much for bec	
Are there any items that o	could be considered in		
If this student were to asl	k you for advice related	d to his budget, what w	vould you tell him?
Can you think of a way i			

Name	Date	Class
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Personal Finance Activity 4

Comparing Credit Card Offers



ACTIVITY GOAL

This Personal Finance Activity will help you compare different credit card offers. Understanding the details of each credit card plan will help you make intelligent decisions about what type of card to use and how best to manage your financial debts.

DIRECTIONS: To properly compare the advantages and disadvantages of each credit card offer, you need to make a careful comparison of the features each card offers. Use the chart below to find the information that answers the following series of questions about each card. When you are done with each step, you will have the information needed to make an informed decision about which credit card is right for your needs and financial situation.

Comparing Two Credit Card Offers				
Credit Card A	Credit Card B			
3.99% APR for the life of transferred balances; 13.25 % APR for all other purchases	0.00% APR for 6 months; 19.8% APR for remaining lifetime of card			
\$50 annual fee; \$25 fee for late payments	No annual fee; \$25 fee for late payments			
Minimum monthly payment of \$15 or 10% of balançe	Monthly balance must be paid in full each month			
Set your own payment date	Must pay card by the 15 th day of the month			
Rewards program: \$10 shopping card with each \$1,000 in spending	Rewards program: Earn 1% cash back on all purchases			

Step 1: What is the Annual Percentage Rate (APR) of credit card A and credit card B?

Jame	Date	Class	
Personal Finance	Activity 4 (continued)		Ş
Step 2: a) What are other b) How do these	er fees associated with each credit e fees impact your total monthly	t card? bill?	
····			
\$130, \$180, and \$300?	e minimum monthly payment b		ices of \$15,
Step 5: a) What benefit b) How do the	, its or rewards does each card offe se characteristics affect your eval	er to make it more attractive fo luation of each card?	
Step 6: If you have a famount to your incomanswer.	fixed amount of income each mo ne, which of these two credit card	onth and your expenses are ver d offers would be a safer choice	y close in dollar ? Explain your

Name Class

Personal Finance Activity 7 Understanding Your Paycheck



ACTIVITY GOAL

This Personal Finance Activity will help you better understand how taxes and other deductions affect your earnings. After completing the activity, you will be able to calculate earnings and understand items shown on a paycheck stub.

DIRECTIONS: The difference between the gross pay and net pay an employee earns can be substantial. You have learned that taxes and other deductions are taken out of an employee's gross pay, changing the amount that the employee actually receives. In this activity, you will analyze the earnings and some typical deductions found on a paycheck stub.

Earnings	Rate(\$/hr)	Hours	Current Period	Year to Date
Regular	10.00	32	320.00	15,645.00
Overtime	15.00	0	0.00	97.50
	GROSS PAY		\$320.00	\$15,742.50
Deductions				
	Federal Inco	me Tax	16.00	787.13
	Social Securi	ty Tax	19.84	976.04
	State Income	- Tax	11.20	550.99
	City Income	Tax	4.80	236.14
	401(K)		12.80	629.70
	Life Insurance	ie	4.84	238.11
	Medical Insu		13.29	653.80
	NET PAY		\$237.23	\$11,670.59

-	
-	
	What amount of net pay has been earned this period? What amount has been earned since January 1?

	Date	Class
rsonal Finance Act	ivity 7 (continued)	
January 1?		iod? What amount has been earned since
What is the difference ((in dollors) between the gros	s pay and net pay for this pay period?
		e take home? How did you calculate your
Which of the deductio	ns listed are required by law	? Which are usually optional to the employ
Which deductions do remain the same each	you think change depending pay period regardless of the	g upon the amount of gross pay? Which amount of pay? Explain your answer.

Name	Date	Class
2 (811)		

Personal Finance Activity 10

The Need for Insurance



ACTIVITY GOAL

This Personal Finance Activity will allow you to take a more detailed look at medical, car, property, and life insurance. Learning more about insurance will allow you to make better informed decisions about your personal needs.

DIRECTIONS: Assume that your employer offers two medical insurance plans to full-time employees. Both plans provide excellent coverage. The details of each plan are outlined in the table below. Use this information to answer the questions that follow.

	Health Care Plan A	Health Care Plan B	
CO-PAYS AND DEDUCTIBLES			
Co-pay for office visit with primary care physician	\$10	\$25	
Co-pay for office visit with specialist	\$25	\$35	
Co-pay for emergency room visit	\$40 (refunded if admitted to hospital)	\$50 (refunded if admitted to hospital)	
Co-pay for hospital visit	\$75	\$100	
Annual deductible	none •	20% deductible for surgery only; maximum annual deductible, \$400	
Co-pay for level 1 prescriptions	\$10	\$25	
Co-pay for level 2 prescriptions	\$25	\$40	
Co-pay for level 3 prescriptions	\$40	\$50	
Vision plan co-pays	\$20 co-pay for exams; you pay 80% of cost of supplies	no vision plan available	
MONTHLY COSTS PAID BY EMPLOYEE			
Single coverage	\$50	\$35	
Employee + spouse	\$110	\$75	
Family	\$160	\$105	
MONTHLY COSTS PAID BY EMPLOYER			
Single coverage	\$200	\$200	
Employee + spouse	\$350	\$350	
Family	\$500	\$500	

ame	Date	Class _		
Personal Finance Activ	ity 10 (continued)			IS k
. What is the difference bet	ween a deductible and a co-pa	ny?		
What amounts would an amounts in the following	employee have to pay for each table.	of the follow	ving services? V	Write the
Serv	ice	Cost Before Insurance	Cost Using Plan A	Cost Using Plan B
Appointment with primary doct	or to treat a sore throat	\$85		And the second s
Purchasing a prescription for an	antibiotic (level 1 prescription)	\$120	A COLUMN AND A COL	
Annual eye exam		\$65		
Purchase of eyeglasses		\$230		
Visit to a dermatologist (speciali	st)	\$115		5
Annual total for allergy medicin level 2)	e (12 prescriptions, each	\$900		
Visit to the ER; immediately adninght	mitted to the hospital for one	\$1,200		
Out-patient knee surgery		\$4,700		
Total Costs				
	or each column of the above to		e totals in the	last row.
each paycheck. Most emp Employee + Spouse option	portion of their health insur- ployers pay for a portion of th on (see table on page 21), how If you calculate your answer?	e cost as well.	If an employe	e chooses the

Name	DateClass
Pe	ersonal Finance Activity 10 (continued)
6.	If an employee uses the Employee + Spouse option for Plan A, how much would be deducted from his paycheck in one year? How much would be deducted for Plan B?
7.	If this same employee incurred the medical costs listed on the previous page over one year, which health care plan would provide greater benefit to him? Be sure to consider the cost of the insurance and the total co-pays, deductibles, and other medical expenses paid using each plan. Explain your answer.
8.	If an employee seldom incurs medical costs, would they benefit most from Plan A or from Plan B? Explain your answer.
9.	Considering the costs that you have calculated while answering these questions, explain how you feel about health insurance. Is it necessary? Is it worth the up-front costs?

Name D	ate
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SHARK TANK

What was idea (sales pitch) #1
What was the initial offer from the entrepreneur (inventor)?
What were the features (facts) and benefits of this idea/product?
What did you like about the product?
What were the flaws with the idea/product (from the Sharks)?
What flaws did you find with the product? (you may not have found any)
What was the final result (was there an offer made, if so what was the final numbers)
What was idea (sales pitch) #2 What was the initial offer from the entrepreneur (inventor)?
What were the features (facts) and benefits of this idea/product?
What did you like about the product?
What were the flaws with the idea/product (from the Sharks)?
What flaws did you find with the product? (you may not have found any)
What was the final result (was there an offer made, if so what was the final numbers)

Watching Shark Tank Worksheet

What was idea (sales pitch) #3
What was the initial offer from the entrepreneur (inventor)?
What were the features (facts) and benefits of this idea/product?
What did you like about the product?
What were the flaws with the idea/product (from the Sharks)?
What flaws did you find with the product? (you may not have found any)
What was the final result (was there an offer made, if so what was the final numbers)
What was idea (sales pitch) #4
What was the initial offer from the entrepreneur (inventor)?
What were the features (facts) and benefits of this idea/product?
What did you like about the product?
What were the flaws with the idea/product (from the Sharks)?
What flaws did you find with the product? (you may not have found any)
What was the final result (was there an offer made, if so what was the final numbers)

GOMPETITION AND MONOPOLIES

A MONOPOLIST DETERMINES PRICE

Directions: The table below represents one monopolist's revenue and cost situation. Complete the table by calculating Total Revenue and Profit. Then answer the questions below. The first row has been completed for you.

Price	Quantity	Total Revenue	Total Cost	Profit (or Loss)
\$10	1	\$10	\$12	\$ - 2
\$9	. 2		\$17	
\$8	3		\$22	
\$7	4		\$24	
\$6	5		· \$27	
. \$5	6		\$30	
\$4	7		\$33	
\$3	. 8		\$36	
\$2	9	t .	\$39	
· \$1	10	·	\$44	

- 1. Which two columns in the table can be used to plot a demand curve? How can you tell?
- 2. How did you determine the values for the Total Revenue and Profit columns?
- 3. At what level of output is the profit maximized?
- 4. What is the price at this level? _____ The profit? _____
- **5.** How much more would it bring in additional revenues if the monopolist tried to sell one more additional unit than at the profit-maximizing level? How much would the monopolist incur in additional costs?
- **6.** How much revenue would the monopolist forgo by selling one less unit than at the profit-maximizing level? What would be the change to total costs?
- 7. Are monopolists free to set any price they want? Explain.



Retail Price

Distribution & Marketing

Taxes

Refining

Crude Oil

GLOBAL INTERDEPENDENCE AND GAS PRICES

The United States holds only a small portion of the world's oil reserves. But thanks to globalization, we can buy crude oil to make gasoline from countries with large oil reserves. Dependence on other countries for this critical resource has its downside, however. Events in oil-producing nations can affect the price we pay at the pump.

What We Pay For in a Gallon of Regular

\$4.00

\$0.28

\$3,10

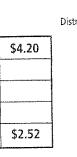
\$0.62

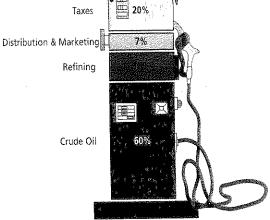
Directions: Use the information in the illustration to complete the table. Round your answers to the nearest cent. Then answer the questions that follow.

\$2.32

Gasoline
(January 2006)

Retail Price: \$2.32/gallon





Source: U.S. Department of Energy

	Source: U.S. Department of chergy
1.	What makes up the largest portion of the price Americans pay for gasoline?
2.	Suppose the price of gasoline rose to \$4 per gallon. How might this affect the demand for SUVs? Explain.
3.	How might a gas price of \$4 per gallon affect your family's spending habits?

Economics and You	How To Calculate Interest
Name	
How To Ca	alculate Interest
Interest = Amou	nt x Interest Rate x Time
Amount is calculated in dollars, in time is measured in years (1 year, 6 mc	interest is calculated in decimals (5% = 0.05), and on the $= 1.5$)
Examples:	
You deposit \$500 in the bank at 7% inte	rest for 3 years. How much interest do you earn?
Interest = \$	500 x 0.07 x 3 = \$105
You borrow \$20,000 for a car at $9\frac{1}{2}$ % inteinterest must you pay?	rest. You pay it back in full 5 years later. How much
Interest = \$20	$000 \times 005 \times 5 = $9,500$
above. Most borrowers pay their debt bathe loan still owed, which in turn reduces loans paid back a little at a time is figure	ually have their interest computed by the formula ack a little bit at a time. This reduces the amount of the principal, or the amount still owed. Interest for d using a more complicated formula. This is called aplicity, we will not investigate this kind of interest
Use a calculator to compute integand the answer.	rest on the following situations. Write the equation
1. You deposit \$1,000 in the bank wher how much total money will he have sav	your son is born. If the money earns 5% interest, red for college when he is 18?
2. You loan your nephew \$475 for 2½ year does he pay you for the privilege of bor	rs. He agrees to pay 2% interest. How much interest rowing money?
· •	for a trip until your income tax return arrives. If you will you owe when you receive your tax return in 3
4. What interest would you earn if you	deposited \$4.300 in the bank at 5% interest for 10

years?

TO HELP YOU READ ...

DIRECTIONS: Self-monitoring REALLY helps understand difficult text! Follow the self-monitoring steps to help you read about The Fed.

STE P 1: CODE THE PASSAGE

Read and rate each sentence, using the following symbols in the blanks:

- ! This is REALLY important!
- ? I don't know what this means.
- * It's a detail, but not very important.
- X This does NOT help understand the passage.

STEP 2: DECODE UNKNOWN WORDS OR SENTENCES

Use context clues to try to figure out the meanings of unknown words or sentences (?'s). Look at words and sentences around each for clues! Re-write the difficult word or sentence in simpler terms in the margins. Then go back and re-code the sentences that confused you.

STEP 3: HIGHLIGHT

Highlight ONLY the sentences or phrases you marked with the "!" symbol.

STEP 4: REREAD AND SUMMARIZE

ummarize the	ghlighted sent MOST import ases or decreas	ant informati	on. (In this	case briefly	explain ho
			W2-10-1-1		
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	447		VALUE ON A STATE OF THE STATE O	1.000	
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	10.33		PHILIPPIN		
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From the Desk of The Fed Chairman

Hello from Washington D.C.!

October 15, 2012

My office was recently contacted by your teacher. She told us you are studying the Federal Reserve and needed some help. Since I am the Chairman of The Fed at this time, I thought I could provide some useful information. In particular, I thought I could tell you how The Fed came to be, explain some of our responsibilities here, and some actions we can take to affect the U.S. economy. The Federal Reserve System was formed in 1913 after a number of bank failures. The banks had been making very risky investments, gaining and losing
huge sums of their depositors' money Such swings made the economy very
unstable, so people panicked easily Any bad news sent throngs to their banks to
withdraw their money But banks don't store large amounts of cash; they invest it
and loan it out. Bank closings caused people to lose everything, leading to calls
for a central system to oversee banking and help avoid future problems.
Today there are 12 Federal Reserve banks around the country. Each watches
over the banks in its district. The whole system is controlled by a Board of
Governors in Washington D.C. The board is made up of seven members appointed by the president for 14-year terms. The president names one member to
serve as chairman for a 4-year term. I am now into my second term in that
position. The sitting president can re-appoint or replace the chair after each 4-year
term.
More than one-third of banks in the United States are members of the Federal
Reserve System. All banks with branches in more than one state are required to
belong. Others such as state-owned banks and local credit unions are not part of
the system, but are supervised by other government agencies In short, all banks
have some kind of control over them to ensure people's money is safe
When The Fed was created, it had just a few duties. First it made clearing
checks easier and faster. Cashing a check used to be quite difficult! If
someone wrote a check to a person who used a different bank, the check had to be
mailed to the writer's bank for payment. People had to wait days or even weeks
for their money. The Fed streamlines the process. When checks are cashed,
funds are moved through the Fed, so people can receive their money right away The main reason The Fed was created was to supervise banks Regulations
were put in place to protect customers. Rules tell banks what kinds of loans they
can make and how much money they need to keep on hand The Fed also serves
as a lender of last resort for member banks In the past, financial problems led to
"runs on the banks" when crowds showed up to withdrawal their money. Even
strong banks had trouble meeting such demands Now The Fed "covers" banks if
they're short on cash. These "last resort" loans make runs on banks less likely,
since people know their money is safe.
Today The Fed still clears checks, supervises, and lends money to banks, but its role
has grown tremendously. Now The Fed also controls the amount of money in
circulation. We don't print money; the Department of Treasury does that. The

Fed's job is to control the amount of money banks have to loan to people and businesses. The Fed uses monetary policy, or specific "tools" or actions, to control the flow of money.___ One tool is setting reserve requirements for banks.__ All banks must keep a percentage of their deposits on hand. A bank can keep more than the required reserve, but not less. I'll try to give a simple example. If The Fed sets the reserve requirement at 10%, and a bank has \$100 in customer deposits, it must keep at least \$10 in cash on hand. How much is kept in reserve affects the money supply. ___ It's very simple. ___ If the Fed sets a high reserve requirement, the bank has less "extra" money to loan to customers.___ On the other hand, to get more money in circulation, the Fed can lower the reserve requirement. Then banks have more money to loan people for homes, cars, and other things. It's important to note that banks make money from interest customers pay on loans. So even when reserve requirements are high, banks still want to make money! ___ If a bank has no money to lend after it sets aside its required reserve, it can borrow money from another bank. The interest rate banks pay each other is called the "discount rate," which is another tool of The Fed. ___ When we want to discourage banks from borrowing from other banks to make loans, The Fed sets the discount rate high. To encourage banks to make loans, we can lower the discount rate. The third tool of monetary policy is the one we use most often. ___ The Fed buys and sells government bonds, which are basically I.O.U.'s from the government.___ A common example is a U.S. savings bond. Family and friends might give savings bonds to children for presents. ___ When a person or bank buys a bond, it serves as an I.O.U. that the government will pay back the bond amount plus interest. ___ If The Fed wants less money in circulation, it can sell bonds to banks and the public.___ To increase the money supply in the economy, the Fed buys the bonds back plus interest. ___ This all may seem very complicated, but it really isn't. ___ Bonds are just one more tool the Fed has to increase or decrease the amount of money banks have to loan their customers. It's likely that any student learning about The Fed would ask, "What does this have to do with me?"___ And The Fed does affect everyone!___ Allowing banks more or less money, controls how much money students and families have to spend. ___ If it's easier to get a loan, they're more likely to buy new cars, homes, furniture, clothes, and anything else. ___ If banks can charge less interest on loans, there's more money to buy goods and services. ___ Of course when it comes down to it, any decisions you and your family make about spending are your own. ___ The Fed has no control over how much money you deposit in your bank, which can also affect how much money they can lend. Plus, The Fed can't force banks to make loans; it can only encourage or discourage them with its monetary policy. Hopefully, I have helped you understand The Fed's role in the U.S. economy: to keep banks strong and stable. Sincerely. Ben Bernanke Federal Reserve Chairman

The Federal Reserve

The Federal Reserve is the central bank in the United States. It is comprised of 12 Federal Reserve banks located across the United States and is headed by a seven-member Federal Reserve Board in Washington, D.C. The Federal Reserve was established in 1913 to strengthen the banking activities of the nation. The Federal Reserve not only insures all deposits made in member banks, but is the most important control over the money supply in the United States.

The Federal Reserve can affect the supply of money available in three important ways:

- 1. The Federal Reserve sets and changes the requirements on how much money banks must keep in reserve. This is the amount of cash a bank keeps on hand to fulfill their customers' day-to-day requests. Remember that the rest of the money in a bank is usually lent out to make interest. A bank's reserves include the cash on hand in its own safes and money it must put in an account at the Federal Reserve bank.
- 2. The Federal Reserve can buy and sell government bonds. A **bond** is a certificate issued by a government or business that needs to borrow money and will pay the buyer back later with interest.
- 3. The Federal Reserve can loan money out to banks when they are short on reserves.

How do these things affect the money supply? Well . . .

- 1. Changing the amount of money held in reserve at banks changes the amount of money available to loan out. If the reserve amount is increased, then less money will be available for loans. This will decrease the demand for products, decrease production, and sometimes cause a cutback in workers and increase unemployment. This is called a **recession**. Decreasing the amount held in reserve will have the opposite effect. This will increase the amount of money available for loan and increase consumer demand for products (since they have more money with which to buy them). Increased demand will cause increased production and a greater demand for workers. This is called **inflation**.
- 2. The Federal Reserve can sell government bonds. Selling bonds will take money out of the economy as buyers pull their money out of banks to pay for them. This in turn causes a lesser amount of money to be available for loans. The Federal Reserve can also buy bonds to put money back into the banks and increase loans.
- 3. Loaning money to banks in trouble helps prevent everyone from withdrawing their money from a troubled bank all at the same time.

Name Date
The Federal Reserve: Questions
Answer the following questions in complete sentences using information from the previous page.
1. Why was the Federal Reserve established?
2. How do Federal Reserve banks get their money?
3. What do banks do with the money not held in reserve? Why?
A Mily con't all depositors in a bonk with draw all of the improvement of the control of the con
4. Why can't all depositors in a bank withdraw all of their money at once?
5. List three ways the Federal Reserve can affect the money supply.
6. Why do you think the Federal Reserve wants to affect the money supply?
7. What happens when too much money is in circulation?
8. What happens when too little money is in circulation?

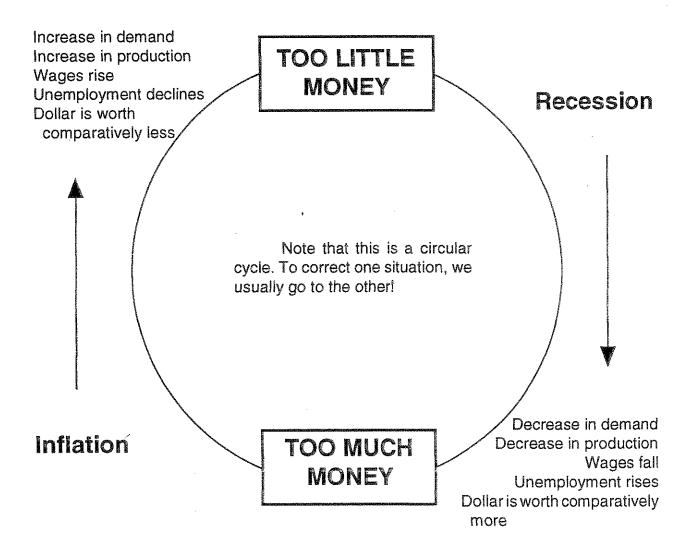
Name	D	ate
	rt: The Federal	Reserve
The Federal Reserve increases the amount of money banks must keep in reserve.	The Federal Reserve	The Federal Reserve decreases the amount of money that banks must keep in reserve.
With less money to lend, banks interest rates.	Member Banks	With more money to lend, banksinterest rates.
Borrowing and spending	Consumers	Borrowing and spending
Demand, production, and employment	Producers/ Industry	Demand, production, and employment
Savings & Loan		

Economics and You

Inflation

Inflation is a rise in the amount of money in the economy. Inflation usually brings about a rise in prices. This lowers the value of the dollar, meaning that a dollar buys less than it did before. Inflation can come about any time too much money is in circulation. The Federal Reserve often triggers inflation by buying bonds or lowering interest rates. Inflation is not rising prices as many people believe; inflation causes rising prices.

A recession is the opposite of inflation. A **recession** is when there is less money in the economy causing a decline in demand. This will usually increase the value of a dollar, meaning that a dollar will buy more. A **depression** is simply a severe recession that results in a decline in business, high unemployment, and lowered stock market values.



Name	Date
management of the control of the con	Inflation: Questions
Answer	the following questions in complete sentences.
1. What organi:	zation most affects the money supply?
2 Why is there	a decrease in production during a recession?
E. VALLY IS HIGH	
	·
3. Why is there	e an increase in production during inflation?
4. Why is the	dollar worth comparatively less during inflation?
5. Why is the	dollar worth comparatively more during a recession?
6. Explain wh	ny the cycle is circular.

Alamana	
Name	Date
Case Study	Monte

The Dollar Deli Menu

Grilled Cheese Sandwich	\$3.00	ድጋ ላለ
Ham and Cheese Sandwich	\$3.75	\$3.10
Turkey Club	\$4.50	\$3.50
Roast Beef Sandwich	\$4.25	\$4.00
Potato Chips	,	\$4.50
French Fries	\$1.00	\$0.50
Giant Cookie	\$1.25	\$0.75
Fresh Fruit	\$1.50	\$1.20
Soda	\$0.75	\$1.00
Milk	\$1.25	\$1.10
Lemonade	\$1.00	\$0.90
Lomonado	\$1.05	\$1.50

"Where your dollar always buys more . . . good food!"

The Dollar Deli decided to change its prices. Use the menu above to answer the following questions.

- 1. Which menu items inflated in price?
- 2. Which item inflated the most?
- 3. Which menu items deflated in price?
- 4. Which item(s) deflated the most?
- 5. You order a grilled cheese sandwich, potato chips, soda, and a giant cookie. What was the percentage of change in this lunch from the old menu to the new menu?
- 6. Was this change (question 5) an inflation or deflation in price?



HOW AMERICA SHOPS

Along with population and income changes, consumer tastes and preferences are determinants of demand. The marketing department of every business pays particular attention to consumer tastes and preferences. In fact, marketing is interested in all aspects of consumer behavior, including how people shop. Any major shift in shopping behavior is significant to a business that wants to make its particular product a sales leader. The article below is an address in which Wendy Liebmann, president of WSL Strategic Retail, explains recent changes in shopping behavior. As you read, consider how these changes may affect a retailer. Then answer the questions that follow.

5 ince 1989, we at WSL Strategic Retail have conducted How America Shops, our national research study in which we talk to American consumers about their behavior and attitudes toward shopping.

In the recently published 6th edition, entitled "The Consumer Paradox: The Threat to Loyalty in the New Millenium," it has become very clear what's actually going on, and what manufacturers and retailers must do to be successful and profitable long-term. So, how does America shop?

Well first, the paradoxes:

Paradox 1: Consumers are shopping more often, at more outlets—when they say they have no time. . . .

They made an average of 3.5 shopping trips per week, up from 3.2 in 1995. In fact, 36% made 4 or more trips per week—up from 30% in 1995. . . .

All this at a time when consumers say they have no time. And yet, they are shopping at more outlets more often. A paradox indeed. . . .

Paradox 2: They are shopping more but buying less....

... They are spending their money on what they consider "essentials": food, personal care products, clothing, prescription drugs . . . even greeting cards.

They are buying less of what they consider non-essentials: cosmetics, fragrance, fashion accessories (be glad you are not in that business!), collectibles, home decorating. Categories that appear to have no inherent value to consumers, no point of differentiation, no news.

Paradox 3: "Selection" is now the driver—what the heck happened to low prices. . . .

But look at what consumers mean by selection: always in stock, have what I want, unique merchandise, good selection, high quality merchandise. . . .

But what about convenience? What about price? The truth is consumers want it all. Selection, convenience, price all rated high . . . very high in this year's study. . . .

So what's going on here? The truth is, consumers today are not paradoxical at all. There are, in fact, two dimensions that are creating the appearance of paradox.

When consumers define themselves as sale shoppers they are, in fact, saying they are value shoppers.

They know when a product or service or store is worth the time they use...

The first is that consumers clearly and unabashedly define themselves in terms of their ability to get the best value out of every shopping experience.

They have reassessed and continue to reassess each category they buy and each outlet they shop to determine whether or not it is worth it. . . .

When consumers define themselves as sale shoppers they are, in fact, saying they are value shoppers. They know when a product or service or store is worth the time they use, the money they spend. And they know when it isn't. That's part of the answer to the Consumer Paradox. . . .

The second dimension creating the appearance of a paradox is the changing demographic diversity of this



PRIMARY & SECONDARY SOURCES (continued)

Reading 3

country. There are two consumer segments in the United States today, traditionally viewed as niche segments, which are now sufficiently large that they are impacting retailing as a whole. Actually distorting the overall reality of the shopping picture. In fact, creating a new reality.

Mature consumers, those 55 and older, and ethnic consumers . . . are now sufficiently large and influential that they are driving the growth and decline of many retail outlets and product categories. . . .

So what do we do about all this? . . . What does it take to build loyalty in this environment? . . .

Today, the loyalty connection is no longer personal. It is based on practicality, efficiency and expediency. Consumers will continue to shop an outlet or a brand as long as it continues to satisfy their needs for product selection, conveniently available at a fair price.

That's part problem, part opportunity. For convenience and familiarity in the end are not enough. They are

easily diminished by one long check-out line or one outof-stock too many.

As a result, the consumer who has access to many other generally acceptable outlets carrying the same merchandise at the same price will merely turn right at the traffic light instead of left and shop elsewhere. Or stay home and pick up the phone or go on-line and order direct. . . .

That means a breadth and depth of merchandise that satisfies your target customers' needs. And since the one-size-fits-all approach no longer works in a highly segmented society where ethnicity and age are impacting shopping preferences, this means a more complete selection than most retailers carry today.

Liebmann, Wendy. "How America Shops." Vital Speeches of the Day, July 15, 1998, Vol. LXIV No.19, pp. 595–598

ANALYZING THE READING

1.	What is the first paradox (statement that seems to contradict common sense) cited in the article about shoppers today?
2.	Why are tastes and preferences as important as price in determining consumer choices today?
3.	What two dimensions of consumers are creating the appearance of paradox?
4.	Why does the marketer suggest that retailers carry a more complete selection of merchandise than they have carried in the past?
5.	Do you think the speaker believes that the existence of a \$10.95 watch will affect demand for a \$525 watch? How does the reading modify the explanation of substitutes in your text? (Is margarine always a substitute for butter?)

PRIMARY & SECONDARY SOURCES



Dow the furby flies

Several factors determine how much demand there is for a particular product in the marketplace. Among these factors are consumers' willingness and ability to purchase an item. At no time is the law of demand more evident than at the holiday season, when shoppers scour the stores in anxious pursuit of the hot new toy. As you read the excerpt below about a holiday frenzy involving a toy called the Furby, consider the many reasons demand for this product increased. Then answer the questions that follow.



Your kid won't stop begging for a Furby, right? She says they squawk in kiddie gibberish and make gurgling noises and sing songs. And you've driven to every mall in the state and still can't find it. Your next-door neighbor traded his car for a dozen on a black-market website, but he's hoarding them until just before Christmas, prime time for scalping. You're stuck with a K Mart waiting list and cheerful lies from salespeople. . . . So who's to blame? How did a little fuzzy doll become crucial to your eight-year-old's survival?

As with most major problems of the late 20th century, it's the media's fault. Each February, a cabal of toy hawkers and toy reporters huddle at Toy Fair in . . . New York City. The hawkers try to coax the reporters into naming their toy the "hottest." Virtually every newspaper and TV station runs some version of this hot-new-toy story. . . . This has happened before, . . . but the creation of the Furby—more important, the invention of a Furby craze—has set a new standard for an absurd game. Unlike even Tickle Me Elmo, the Furby became a must-have item this Christmas before almost any kid had made it say "kah a-tay."

... After ToyFair '98, TIME ran a Techwatch item mentioning them. USA Today also noticed, and after an electronics fair in May, CBS This Morning did a segment. That ginned up interest last summer, even though Furby's complicated innards meant it wouldn't be ready for stores until fall.

Eager shoppers began hunting for Furbies over the summer and were further inspired when *Wired* magazine ran a huge Furby feature in September, breeding even more TV stories. "It was incredible, all these reporters calling up and saying 'Why is this so hot? You can't find this thing anywhere,'" says Jim Silver, publisher of *Toy Book*, a trade publication. "But the company hadn't even shipped any—of course they couldn't find it. It became a self-fulfilling prophecy."

When Tiger [the manufacturer] finished the Furby—on schedule, in October—many more parents than usual

knew about the new toy. Initial shipments sold out almost immediately.

. . . Though some toymakers have reportedly tightened initial supplies to heighten interest (think Beanie Babies), Tiger had no such conspiratorial plans. . . . Before September, retailers had ordered 1 million, and a confident Tiger produced 1.3 million. But after all the publicity, perhaps 5 million could sell. . . .

Virtually every newspaper and TV station runs some version of this hotnew-toy story. . . . This has happened before, . . . but the creation of the Furby—more important, the invention of a Furby craze—has set a new standard for an absurd game.

[Likewise,] Tickle Me Elmo tested fairly well in the slew of kid-judged contests held every year. . . . But Tyco, the Mattel-owned manufacturer, didn't expect it to become a giant seller. Then Rosie O'Donnell tickled Elmo on her show, and demand exploded. Once again, scarcity inspired collectors, reporters discovered a "hot" story, and your kid bawled his eyes out . . . because Santa couldn't find Elmo before Christmas morn.

... But it remains to be seen whether kids will like all the Furbies their parents are trying so hard to find. . . .

Cloud, John. "How the Furby Flies." *Time*, November 30, 1998.



Name	Date	Class	

PRIMARY & SECONDARY SOURCES (continued)

Reading 4

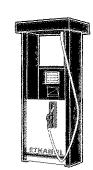
ANALYZING THE READING

•	What major factor contributed to the demand for Furbies, according to the author?
	What happened to shipments of Furbies as soon as they arrived at stores?
	How was the success of the Furby "a self-fulfilling prophecy" (when the act of believing something will happen actually causes it to happen)?
R	What other factors might result in an increased demand for a certain product? Give examples.
	Do you think every holiday season will feature a toy or other item in high demand by consumers? Explain your answer.

PPETITE FOR DESTRUCTION

PRIMARY & SECONDARY SOURCES

When demand exceeds supply, prices can soar. This is especially evident at the gas pump. As a result of rising gas prices, people have become more and more interested in alternative sources of fuel. Yet these alternative fuels may create supply problems of their own, according to Lester Brown, president of the Earth Policy Institute. As you read the article below, consider the impact that ethanol and other biofuels may have on the world's food supply. Then answer the questions that follow.



Reading 5

The growing myth that corn is a cure-all for our energy woes is leading us toward a potentially dangerous global fight for food. While crop-based ethanol—the latest craze in alternative energy—promises a guilt-free way to keep our gas tanks full, the reality is that overuse of our agricultural resources could have consequences even more drastic than, say, being deprived of our SUVs. It could leave much of the world hungry.

We are facing an epic competition between the 800 million motorists who want to protect their mobility and the two billion poorest people in the world who simply want to survive. In effect, supermarkets and service stations are now competing for the same resources.

This year cars, not people, will claim most of the increase in world grain consumption. The problem is simple: It takes a whole lot of agricultural produce to create a modest amount of automotive fuel.

The grain required to fill a 25-gallon SUV gas tank with ethanol, for instance, could feed one person for a year. If today's entire U.S. grain harvest were converted into fuel for cars, it would still satisfy less than one-sixth of U.S. demand.

The U.S. Department of Agriculture reports that world grain consumption will increase by 20 million tons this year, roughly 1%. Of that, 14 million tons will be used to fuel cars in the U.S., leaving only six million tons to cover the world's growing food needs.

Already commodity prices are rising. Sugar prices have doubled over the past 18 months (driven in part by Brazil's use of sugar cane for fuel), and world corn and wheat prices are up one-fourth so far this year.

For the world's poorest people, many of whom spend half or more of their income on food, rising grain prices can quickly become life threatening.

Once stimulated solely by government subsidies, biofuel production is now being driven largely by the runaway price of oil. Many food commodities, including corn, wheat, rice, soybeans, and sugar cane, can be converted into fuel; thus the food and energy economies are beginning to merge.

The market is setting the price for farm commodities at their oil-equivalent value. As the price of oil climbs, so will the price of food.

In some U.S. Cornbelt states, ethanol distilleries are taking over the corn supply. In lowa, 25 ethanol plants are operating, four are under construction, and another 26 are planned.

lowa State University economist Bob Wisner observes that if all those plants are built, distilleries would use the entire lowa corn harvest. In South Dakota, ethanol distilleries are already claiming over half that state's crop.

In effect, supermarkets and service stations are now competing for the same resources.

The key to lessening demand for grain is to commercialize ethanol production from cellulosic materials such as switchgrass or poplar trees, a prospect that is at least five years away.

Malaysia, the leading exporter of palm oil, is emerging as the biofuel leader in Asia. But after approving 32 biodiesel refineries within the past 15 months, it recently suspended further licensing while it assesses the adequacy of its palm oil supplies. Fast-rising global demand for palm oil for both food and biodiesel purposes, coupled with rising domestic needs, has the government concerned that there will not be enough to go around.

There are truly guilt-free alternatives to using foodbased fuels. The equivalent of the 3% of U.S. automotive

PRIMARY & SECONDARY SOURCES (continued)

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fuel supplies coming from ethanol could be achieved several times over—and at a fraction of the cost—by raising auto fuel-efficiency standards by 20%. (Unfortunately Detroit has resisted this, preferring to produce flex-fuel vehicles that will burn either gasoline or ethanol.)

Or what if we shifted to gas-electric hybrid plug-in cars over the next decade, powering short-distance driving, such as the daily commute or grocery shopping, with electricity?

By investing not in hundreds of wind farms, as we now are, but rather in thousands of them to feed cheap

electricity into the grid, the U.S. could have cars running primarily on wind energy, and at the gasoline equivalent of less than \$1 a gallon.

Clearly, solutions exist. The world desperately needs a strategy to deal with the emerging food-fuel battle. As the world's leading grain producer and exporter, as well as its largest producer of ethanol, the U.S. is in the driver's seat.

Brown, Lester R. "Appetite for Destruction." Fortune, August 21, 2006

ANALYZING THE READING

1.	What does the author mean when he says that "supermarkets and service stations are now competing for the same resources"?		
2.	According to the author, how much of American motorists' demand for fuel could be satisfied by the entire U.S. grain harvest?		
	,		
3.	What does the author believe will happen to the price of food as the price of oil increases?		
4.	What impact could this have on the world's poorest people?		
5.	What are some alternatives to using food-based fuels?		

EUTURE DEBTORS OF AMERICA

America is a country living on credit. Our consumer culture entices us to buy more goods than our budgets can actually afford. Many experts are alarmed at this phenomenon. In particular, they note how younger Americans are increasingly in over their heads in credit card debt, are establishing bad spending habits, and are uninformed about the long-term financial consequences of their spending behavior. Think about your own financial habits as you read the excerpt below from Consumer Reports. Then answer the questions that follow.



S tephanie Carlson is barely out of high school, and already she's a credit risk. It took the 19-year-old from Salt Lake City only five months of buying clothes, jewelry, makeup, groceries, and gasoline to run up \$7000 in credit card debt and unpaid tuition. She's now in credit counseling and learning to live plastic-free. But she wishes she'd learned more about credit cards before the binge began.

"I know people just like me," she says. "I'm telling them not to get started. Once you get started, you can't stop."

A new generation of young people is starting out life unprepared for temptations like easy credit. New research, including a national survey for CONSUMER REPORTS of 689 12-year-olds from various economic backgrounds, shows significant gaps in children's personal-finance knowledge. This season of "buying" only accentuates the problems.

In our survey, only 7.2 percent knew that credit cards are a form of borrowing. Four in 10 didn't know that banks charge interest on loans. Guess who's providing schools with free personal-finance curricula? Visa, MasterCard and other financial institutions, whose messages often promote bad money habits. High school seniors are particularly uninformed about savings and investment. . . .

Compounding the problem is the fact that kids will make more consumer decisions than previous generations. By the time today's kids turn 20, they will have seen or heard 360,000 30-second TV commercials . . . And they will have received more than \$33,000 in income and money gifts, according to separate studies by the Rand Youth Poll and James U. McNeal, professor of marketing at Texas A&M University.

That's not lost on advertisers salivating over a market that grows at 20 percent a year, McNeal says. Kids ages 5 to 14 spent \$24.4 billion in 1996, and directly influenced another \$117 billion spent on their behalf. . . .

Moreover, credit is easier to come by than ever before. Sixty-four percent of college students have a credit card in their name, and 20 percent have four or more cards, says the Roper College Track Financial Services survey. Since employers are increasingly checking job applicants' credit records, kids with a bad record may find it hard to obtain work to pay back their debts. At the Consumer Credit Counseling Service of Los Angeles, college students make up 10 to 15 percent of those seeking money-management help, says executive director Gary Stroth.

A new generation of young people is starting out life unprepared for temptations like easy credit.

Later in life, this generation may need to be more financially disciplined and self-reliant than their baby boomer parents. . . .

Our survey of 12-year-olds polled a slightly higher socioeconomic sample in a different test situation, and questions were geared to a younger grade level, so results aren't entirely comparable. On the bright side, nearly all kids knew that a bank loan is a form of borrowing. But one-third couldn't calculate simple interest. . . .

One reason kids are so uninformed is that personal finance isn't taught systematically in the schools. Unlike in Japan, where such a curriculum is mandatory, the subject is approached in the U.S. through a patchwork of public and private initiatives. . . .

In most states, whether to teach consumer and personal finance is decided by school districts, schools, and teachers. The results range from entire courses to just a few hours in an economics or math class. . . .

PRIMARY & SECONDARY SOURCES (continued)

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But the reality for many school districts is that there is no money for personal-finance materials. Instead, many are using free handouts provided by credit-card issuers, banks, investment houses, publishers, and insurance companies. The materials are rarely objective, and many we saw gave bad advice to students. . . .

"Future Debtors of America." Consumer Reports, December 1997.

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What happened to Stephanie Carlson and many young people her age?		
Discuss the ways in which young people are unprepared for easy credit temptation.		
What is the consumer power of young people today? How do advertisers feel about that spending power?		
What is one reason young people are so uninformed about consumer issues?		
Do you believe personal finance and credit management should be given to school-aged students? Explain your answer.		



BECOMING FINANCIAL GROWN-UPS

As young couples enter the workforce and begin raising families, they have important choices to make—including how they should spend and save the money they earn. What should they do first? Which of their goals should take priority? As you read the article below, consider the advice offered by Money magazine's George Mannes. Then answer the questions that follow.

Until recently, Ari and Jennifer Donowitz had no problem deciding what to do with their money. It was easy. They didn't have any.

The couple married . . . while both were still in school. That first year, they scraped by on \$20,000 in income, mostly from Jennifer's work as a student aide while she wrapped up a Master's in Special Education. . . . Ari, a scholarship student; did odd jobs while finishing his senior year of college. They paid rock-bottom rent for a little one-bedroom in Far Rockaway, Queens, . . . and they skipped the honeymoon entirely.

Three years later, their finances have taken a decided turn for the better. . . [T]ogether they're on track to earn \$130,000 this year. Their expenses have grown along with their income: They have a son, Eli, almost two, and they've moved into a bigger rental. . . . Still, they're saving in earnest for the first time in their lives—just six months after Ari landed his job, they've already socked away \$10,000 in their checking account.

The only problem is that the Donowitzes have no clue what to do with the money. . . . Jennifer wants a house, Ari wants an M.B.A.; they know they need life insurance and that they should be saving for retirement, too. But they don't know where to start. . . .

In other words, they face the same problems as other couples in their twenties and thirties. They're finally earning decent money and are ready to behave like financial adults, but need some guidance on how to get there. These tips should help.

• Set Priorities: When you're just starting a career and a family, and all of your goals seem urgent and wildly expensive, you can feel so overwhelmed, you end up doing nothing. The key to overcoming paralysis is to zero in on the two or three goals that are most important, and to reassure yourself that you'll tackle the others eventually. The Donowitzes, for example, have decided to make saving for retirement and Ari's M.B.A. their top priorities now. Buying a house can wait a few years, and they're not even thinking yet about a college fund for Eli.

Once you have your short list, make the goals more tangible by assigning each one a number and a time frame for achieving it. You'll erase your credit-card debt in two years by paying double the minimum each month, or you'll put \$25 a month aside for emergencies until you reach \$3,000. If the amounts seem laughably small, don't worry. . . . The important thing now is to get started. . . .

• Work with a Net: Part of growing up means planning for the worst—or at least the unexpected. That's why one of those first goals should be to build that emergency fund—a stash of cash equal to three to six months of your living expenses that can tide you over if you lose your job or your car breaks down. Getting to that target may take a while; in the meantime, a low-rate credit card with a zero balance can substitute for cash in the bank. Just make sure you save the card for real emergencies . . .

Part of growing up means planning for the worst—or at least the unexpected.

- Put Your Money to Work: Now, about that \$10,000 that the Donowitzes have saved. . . [T]hey've chosen just about the worst place to park the money: a checking account, which typically pays less than 1% in interest or, in their case, no interest at all. . . . A savings account at an online bank, with recent rates as high as 4.5%, would provide much higher returns . . .
- Make It Automatic: You'll greatly improve your odds of success if you organize your finances so that you don't have to discipline yourself to make progress every month, but can instead let things just kind of happen on their own. Most major banks, brokerages and fund companies will allow you to set up automatic monthly cash transfers from your bank or paycheck into a designated savings or



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investment account. You can also automate your creditcard and other bill payments, which has the added benefit of ensuring that your payments will arrive on time. That, in turn, helps improve your credit score.

• **Don't Forget the Future:** As hard as it is to plan for life at 65 when you're only 25, you'll end up with tons more money if you start saving for retirement when you're young. Contributing 10% of your income is ideal. But realistically, cash-strapped young adults may need to start

with 3%, then raise it a percentage point every six months. . . . Once you take those first halting steps toward your goals, you'll feel more confident and less stressed. Just ask the Donowitzes. "Having a clear idea of what we need to do is a great relief," says Ari. "We feel like we're on our way."

Mannes, George. "Becoming Financial Grown-Ups." Money, June 2006

ANALYZING THE READING

que.	According to the author, what is the key to overcoming paralysis when financial decisions seem overwhelming?		
2.,	What does the author think is a sufficient amount of money to save as a "safety net" for financial emergencies?		
3.	What does the author consider to be the "worst place to park the money"? What does he suggest as a better alternative?		
4.	How can people organize their finances so that saving and other things "can just kind of happen on their own"?		
5.	Why is it important to start saving for retirement when you're young?		

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CONFESSIONS OF A FULL-TIME TELECOMMUTER

The computer and Internet revolutions have made it possible for many employees to work at home. This way of working, known as "telecommuting," has boomed in recent years. But telecommuting has both advantages and disadvantages. In this article, Barbara Gomolski discusses the pros and cons of working at home. As you read, consider whether telecommuting might be right for you. Then answer the questions that follow.



hirteen years ago, I embarked on a personal and professional adventure when I accepted a job in the Boston area while living in California, with the intention of telecommuting full time. The forward-thinking company that hired me . . . recognized that it could hire the best people if it cast its hiring net nationally. Now, of course, telecommuting is a norm and a perk that many IT [information technology] professionals have come to expect. Still, it's not a given in all companies.

Based on more than a decade of experience, here are my observations and suggestions about telecommuting, some of which may surprise you:

- For self-motivated employees, telecommuting means a productivity boost. Focused and dedicated individuals will get far more work done at home than in an office.
- Telecommuting improves job satisfaction and loyalty for employees who want to do it and are well suited to the arrangement.
- Some employees will prefer to come to the office because home is not conducive to work. The key is to have the flexibility to support the differing work styles of various employees.
- Organizations that fail to allow flexible work arrangements will find it increasingly difficult to attract the best candidates.
- In some organizations, telecommuters face limited promotion opportunities because "managers" must work in an office. If you are building a virtual organization, the same opportunities should be open to everyone. It's harmful to the company if telecommuters are relegated to certain jobs by virtue of where they work.

• It's impossible to "check up" on telecommuters, and you shouldn't even try. If you don't trust people and you don't feel confident that you can measure their performance, don't allow telecommuting. Don't call telecommuters at 8 a.m. or 5 p.m. to see if they are in the office. Respect that people have different work styles. Some may like to get into the office a few hours early but take a two-hour lunch. As long as they are available when they need to be, be satisfied. Focus on outcomes, not work styles.

Companies with flexible telecommuting policies tend to develop a more diverse workforce, which is good for business.

- New employees who telecommute should be assigned mentors to help them navigate issues that are unique to telecommuters, such as connecting from home.
- Companies are saving a bunch of money on office space as a result of telecommuting. As working from home becomes more widespread, employees will expect to be compensated for the costs of running their home offices. Today, companies typically pay for things like phones and high-speed Internet connections, but not utility costs or rent. Expect that to change in the next 10 years.
- The ideal arrangement is to have the employee come to the office at least one day a week, so that the individual can develop an understanding of the company and its processes.

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- Organizations that allow telecommuting must have better work and management processes than those that expect workers to come to an office every day. . . . For example, impromptu meetings are just about impossible in a virtual work environment, so planned meetings and formal processes become essential. Otherwise, you risk communicating only by e-mail.
- Organizations can feel confident about telecommuters' performance, provided the performance metrics are well defined and tracked. Many employees who telecommute have performance goals that are quite tangible — almost quotalike.
- Companies with flexible telecommuting policies tend to develop a more diverse workforce, which is good for business.
- Organizations that depend on a high degree of collaboration among employees must support telecommuters

- with the right tools and technologies. . . . Today, . . . technology is much more advanced for supporting virtual collaboration. Use it.
- Telecommuting should be considered a privilege, not a right. Too many companies have applied a blanket approach, allowing everyone the same telecommuting status. The truth is that not all employees are self-motivated or honest.

In the early days of telecommuting, I was an evangelist. Now I'm a bit more pragmatic about it. In the main, telecommuting is a win-win for employees and employers. However, it also presents unique challenges that some organizations are simply not prepared to face.

Gomolski, Barbara. "Confessions of a Full-Time Telecommuter." ComputerWorld, February 27, 2006

ANALYZING THE READING

	What are some of the advantages of telecommuting?
2.	When should companies not allow telecommuting?
3.	Why do telecommuters face limited opportunities in some organizations?
4.	Why should telecommuting be considered "a privilege, not a right"?
5.	Do you think telecommuting would be right for you? Why or why not?

AKING THE MEASURE OF THE GDP: ANOTHER NUMBER THAT DOESN'T QUITE ADD UP

Gross domestic product (GDP) figures are widely reported and deeply respected. But how valuable are they? As you read the excerpt, think about the difficulties involved in measuring the output of an entire national economy. Then answer the questions that follow.

 $oldsymbol{\mathsf{O}}$ n the afternoon of March 25 seven officials at the Bureau of Economic Analysis will convene in an office of the Commerce Department, pull down the window shades—lest someone is spying from outside—and begin an arcane [secret] calculation. . . . The officials will seek to determine a number—the number—and it is important that the number be secret. The officials will not utter the number aloud, in case the room is bugged. Traveling to the bathroom, they will go in pairs. At the end of their priestly deliberations, the number will be finalized. At 8:00 the following morning, reporters will be admitted to another office with a neat stack of press releases on a table. At exactly 8:30, the reporters will be permitted to transmit the number: the growth rate for the fourth quarter . . . of the gross domestic product. The GDP is the sum of the market value of all goods and services that the nation produces, and unlike other indicators, such as the unemployment rate, it attempts to take account of the entire U.S. economy. Immediately trumpeted by the media, the quarterly GDP figure can move markets and affect elections. It is totemic [deeply respected]. But how, exactly, is the figure arrived at? What does it measure, really? And what does it miss?

This number represents the market value of services that figure into the third-quarter . . . measure of the GDP—everything from house painting to brain surgery. The figure, \$1.8 trillion, looks hard, but like the other numbers here, it was arrived at by computing a staggering set of rather soft variables. It takes forty Commerce Department economists to do the calculation. [It requires] a giant spreadsheet of 600 rows of data derived from thousands of statistics provided by the Census Bureau, the Bureau of Labor Statistics, and private industry. (It should be noted that certain services are not calculated, including unpaid housework and farmwork.) As new information becomes available, each quarterly figure is revised—twice the following quarter, again annually, and then once more every five years. Thus the GDP number is but a work in progress. . . .

The change in business inventories—tires, pet food, etc.—is [included in] the GDP. But inventory figures indicate just how problematic it is to estimate the GDP. . . . Because inventories data is incomplete at the time the quarterly GDP number is first calculated, the figure must be estimated. It's one of the numbers Commerce Department officials discuss most behind their lowered shades. [in a recent] October they guessed wrong by 37 percent—at least by comparison with the subsequent November estimate. Changes in inventories are extremely volatile, . . . and despite new scanning technology and other improvements in inventory control, physical goods remain difficult to count. . . .

> The GDP doesn't tell us what kinds of jobs are being created, how our standard of living is changing, or how the economy is being restructured.

In 1991 the United States stopped focusing on gross national product, which measures only what Americans and American-owned companies produce, and began to focus on domestic output. Thus goods and services created within our borders now count as part of our growth, regardless of what company—Japanese, German, or American—produces them. The change was a concession to the complexities of the global economy, and such tinkering is likely to continue. But the real question may be whether the GDP is a genuinely useful measure. From 1983 until 1989 the United States experienced twenty-six quarters of GDP "growth." Yet by the end of the decade, workers labored longer for less pay and the United States had become the largest debtor nation on earth. The GDP

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doesn't tell us what kinds of jobs are being created, how our standard of living is changing, or how the economy is being restructured. Given the slipperiness of the quarterly GDP number, one might well ask why we follow it. Perhaps the answer is that we cannot let go of the belief that we are a national economy, subject to national trends, with common hopes for growth.

Moynihan, Michael. "Taking the Measure of the GDP." Harper's Magazine, March 1993

ANALYZING THE READING

(come	What does the author imply when he writes that the GDP figure "looks hard, but it was arrived at by computing a staggering set of rather soft variables"?
2.	How does the author use inventory figures as a way to critique the GDP?
3.	Why did the United States start focusing on gross domestic product instead of gross national product?
4.	According to the author, why do people follow GDP figures when those figures are so "slippery"?
5.	Do you think the GDP figure lacks the accuracy to be useful? Explain your answer.

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OHN STUART MILL ON THE ROLE OF GOVERNMENT

The single largest economic institution in the United States is the government, so the role the government plays is of special interest to the economist. But what is the proper role of government? Nineteenth-century economist John Stuart Mill tackled this question in his classic work, Principles of Political Economy. As you read the excerpt from it below, consider how this century-old discussion is relevant today. Then answer the questions that follow.

One of the most disputed questions both in political science and in practical statesmanship . . . relates to the proper limits of the functions and agencies of government. On the one hand, impatient reformers, thinking it easier and shorter to get possession of the government than of the intellects and dispositions of the public are under a constant temptation to stretch the province of government beyond due bonds: while, on the other [hand], mankind have been so much accustomed by their rulers to interference for purposes other than the public good that there has grown up a spirit of resistance to the interference of government, merely as such, and a disposition to restrict its sphere of action within the narrowest bonds. . . . ,

In attempting to enumerate [list] the necessary functions of government, we find them to be considerably more multifarious [diverse] than most people are at first aware of, and not capable of being circumscribed by those very definite lines of demarcation, which it is often attempted to draw round them. We sometimes, for example, hear it said that governments ought to confine themselves to affording protection against force and fraud: that, these two things apart, people should be free agents. But why should people be protected by their government . . . against violence and fraud, and not against other evils, except that the expediency [appropriateness and benefit] is more obvious?

Nor is the function of the law in defining property itself so simple a thing as may be supposed. It may be imagined, perhaps, that the law has only to declare and protect the right of everyone to what he has himself produced, or acquired by the voluntary consent, fairly obtained of those who produced it. But is there nothing recognized as property except what has been produced? Is there not the earth itself, its forests, and waters, and all other natural riches above and below the surface? . . . What rights, and under what conditions, a person shall be allowed to exercise over any portion of this common inheritance, cannot be left undecided.

Again, the legitimacy [of the government] is conceded of repressing violence or treachery; but under which of these heads are we to place the obligations imposed on people to perform their contracts? Governments do not limit their concerns to simple enforcement. They take upon themselves to determine what contracts are fit to be enforced. . . . But when once it is admitted that there are any engagements which for reasons of expediency the law ought not to enforce, the same question is necessarily opened with respect to all engagements. Whether, for example, the law should enforce a contract to labour [work], when the wages are too low, or the hours of work too severe. . . . Every question which can possibly arise as to the policy of contracts and the relations which they establish among human beings, is a question for the [governmentl; and one which [it] cannot escape considering, and in some way or other deciding. . . .

There is a multitude of cases in which governments, with general approbation [approval], assume powers and execute functions for which no reason can be assigned except the simple one, that they conduce [contribute] to general convenience.

Not only does [government] undertake to decide disputes, it takes precautions beforehand that disputes may not arise. The laws of most countries lay down rules for determining many things. . . . In doing these things, it has

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never been alleged that government oversteps the proper limits of its functions.

Again, however wide a scope we may allow to the doctrine that individuals are the proper guardians of their own interests . . . the doctrine can never be applicable to any persons but those who are capable of acting in their own behalf. The individual may be an infant or a funatic, or fallen into imbecility. The law surely must look after the interest of such persons. . . .

There is a multitude of cases in which governments, with general approbation [approval], assume powers and execute functions for which no reason can be assigned except the simple one, that they conduce [contribute] to general convenience. We may take as an example, the

function . . . of coining money. Prescribing a set of standard weights and measures is another instance. Paving, lighting, and cleansing the streets and thoroughfares is another. . . .

Examples might be indefinitely multiplied without intruding on any disputed ground. But enough has been said to show that the admitted functions of government embrace a much wider field than can easily be included within . . . any restrictive definition, and that it is hardly possible to find any ground for justification common to them all, except the comprehensive one of general expediency.

Mill, John Stuart. Principles of Political Economy. New York: Longmans, Green & Co., Inc., 1892

ANALYZING THE READING

What is Mill's basic point?
 What functions of government does Mill identify?
 Reread the final paragraph. What common justification for the various activities of government does Mill detect?
 Why do you think economists must consider the role of government when doing their work?
 How does the language of the passage indicate that it is a historical work?

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ERROR'S ECONOMICS

Terrorism hasn't had the negative effect on economic growth and globalization that many people feared it would. At least, not yet. Economist Robert J. Samuelson warns that terrorism-or more specifically, the war on terrorism-threatens the world economy in other ways. Consider his arguments, and then answer the questions that follow.

his is an age of glaring contradictions. It's hard to ignore the great disconnect between the rise of terrorism and the relentless advance of the world economy. After September 11, the reasonable fear was that terrorism and its nasty side effects-more anxiety, uncertainty, security checks and higher costs for moving people and cargomight cripple economic growth and frustrate the spread of globalization. It hasn't happened. Not yet, anyway.

To be sure, terrorism has exacted some steep costs. Airlines and tourism suffered after September 11; that could happen again. Spending for the war in Iraq was vastly underestimated. But the damage has paled before the larger effect, which is not much. Terrorism hasn't destroyed prosperity or cross-border flows of, goods, money and people.

Since 2001, the world economy has expanded more than 20 percent. For the United States, the gain is almost 15 percent; for developing countries, more than 30 percent. World trade—exports and imports—has risen by more than 30 percent. Outstanding international debt securities have jumped almost 90 percent to \$13.6 trillion (through the third quarter of 2005).

We ought to ask why the economic fallout has been so muted—and whether that could change. Could the backlash so feared five years ago unfold in the future?

Economic resilience partly reflects human nature. People and businesses try to get back to normal. It's what they know best. For sheer physical damage, acts of nature often overshadow acts of terrorism. Michael Mussa of the Institute for International Economics notes that Hurricane Katrina hurt the economy more than September 11.

Even when huge, terrorism's costs can get lost in a \$13 trillion economy. At last count, Congress had committed \$432 billion to the wars in Iraq and Afghanistan—a far cry from informal estimates of \$50 billion to \$200 billion before the war. The Congressional Budget Office now projects that those costs could easily exceed \$800 billion by 2016. A study by Linda Bilmes of Harvard and Joseph Stiglitz of Columbia puts the war's ultimate budget costs even higher, at a minimum of \$1.1 trillion in present value. Still, this spending is a tiny share of all federal spending, estimated at \$47 trillion from 2001 to 2016.

Similarly, skillful crisis management after September 11 blunted terrorism's long-term effect on economic confidence. Some big banks lost their computer and communications systems; planes carrying checks were grounded. People might not have been able to cash checks; banks might have hoarded funds because they weren't receiving payments from other banks. But the Federal Reserve lent liberally to banks needing money (\$46 billion on Sept. 12) and temporarily authorized checks to be credited before being cleared. Thus was averted a wider economic breakdown and a bigger blow to consumer psychology.

Countries are moving closer economically ... but they're moving further apart politically

The result is that—so far—terrorism has been an economic blank. People regard attacks around the world (in London, Madrid, Bali) as isolated tragedies and not a cause to alter their buying habits. But that is not entirely reassuring. Even if it continues, terrorism might threaten the world economy in other ways.

Every successful economic system requires a supporting political structure: rules, standards of behavior, ways of resolving conflicts. For years, the United States and its allies were bound together by political and economic alliances. But as Princeton historian Harold James notes, the war on terror—mainly the war in Iraq—has created divisions on political issues that make agreement on economic matters harder. Protectionism could depress economic growth if increasingly nationalistic countries retreat from global markets. The recent deadlock of the Doha (Qatar) Round of trade talks is a suggestive example.

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The larger threat involves the great disconnect: countries are moving closer economically—depending on each other more for trade, raw materials (especially oil) and finance, but they're moving further apart politically, disagreeing over goals, tactics and values. Historian Niall Ferguson of Harvard has pointed to a similar disconnect,

before World War I, when European powers were highly integrated economically and increasingly hostile politically. But there was a chilling disregard for the contradiction. It's a grim analogy that suggests little cause for complacency.

Samuelson, Robert J. "Terror's Economics." Newsweek, August 28, 2006

ANALYZING THE READING

What industries suffered most after September 11?
 According to the author, what has been the overall effect of terrorism on economic growth and globalization?
 Why hasn't the effect been greater?
 What role did the Federal Reserve play in preventing an economic breakdown after September 11?
 What is the "larger threat" that the author feels terrorism and the war on terror has created?



DIRECTIONS: Read about some ways the U.S. government can get involved in the nation's economy. Then briefly explain at least one advantage and one disadvantage of each government action.

Regulations: Congress or government agencies can enact laws or rules to limit the ways businesses operate. Examples of regulations include:

- · punishing companies for air or water pollution from their factories.
- setting age limitations for certain products such as cigarettes or alcohol.
- · not allowing companies to merge with others to become monopolies.

Advantage(s):	Disadvantage(s):

Bailouts: During economic crises, the government can give or lend money to big companies to ensure they don't go out of business. Examples of bailouts include:

- In 2008, the government gave \$85 billion to AIG, one of the world's largest insurance companies to make sure money was there to pay claims.
- The Emergency Economic Stabilization Act of 2008 allowed the government to give money to large banks in danger of failing.
- In 2009, the U.S. government loaned General Motors, the world's largest auto maker, \$360 million to keep it from going bankrupt.

Advantage(s):	Disadvantage(s):
	· .

Subsidies: Certain businesses seen as "necessary for the well-being of the American people" are given special treatment (tax breaks, special prices, money, etc.) by the government. Examples of subsidies include:

- Infrastructure for utility companies is partially paid for by the government.
- The 2002 Farm Bill paid American farmers an extra .52 cents per bushel of wheat over and above what they could sell it for themselves.

Advantage(s):	Disadvantage(s):

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Stimulus: When the economy is in recession people don't spend enough money on goods and services to keep companies affoat. So the government can "put money" into the economy in several ways. Examples of stimulus include:

- In 2008, the government sent taxpayers checks for \$600 per adult earning less than \$75,000. The hope was they'd spend it on goods and services.
- In 2009, Congress passed the American Recovery and Reinvestment Act, investing billions of dollars to create jobs, repair infrastructure, and pay for temporary relief programs

Advantage(s):	Disadvantage(s):
· .	

Investment: The U.S. government spends money for research and development of new products, technologies, and medical or scientific breakthroughs. Examples of government investment include:

- The technology that led to the Internet was paid for and developed by the U.S. Defense Department in the 1960's and 70's.
- The Center for Disease Control and Prevention (CDC) is a federal agency that spends billions each year on medical research and programs to treat, prevent, and wipe out illnesses.
- The microchip that made the iPhone possible was first used by the U.S. military. It bought such large quantities of the chip, the price came down. The low price made it affordable for use in consumer products.

Advantage(s):	Disadvantage(s):

Public Goods and Services: The U.S. government produces or pays for many goods and services. These goods and services can be used by anyone for "free." Examples include:

- The National Parks Service has a yearly budget of over \$3 billion to maintain almost 400 places set aside for the public to enjoy.
- The U.S. government spends billions (approximately \$70 billion in 2011) on public education.

	A	
	Advantage(s):	Micadynata = a(a)
1000		Disadvantage(s):
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CRITICAL THINKING 14

SYNTHESIZING FIGURES FOR CHANGE IN GOVERNMENT REVENUES

Synthesizing information involves integrating facts.

Directions: Use the information in the table below to help understand how the government's source of income changed between 1995 and 1998.

U.S. Budget Receipts

(in millions of Dollars)

Sources	1995	1998	% of Change
Individual income taxes	\$590,243	\$828,597	
Corporation income taxes	\$157,004	\$188,677	
Social insurance taxes	\$484,474	\$571,835	
Excise taxes	\$57,484	\$57,669	
Estate and gift taxes	\$14,763	\$24,076	,
All other receipts	\$47,527	\$50,567	
Net Budget Receipts			

- 1. Calculate the percentage of change for each revenue source. Use your answers to complete the above table. (To find the percentage of change between 1995 and 1998, divide the difference by the amount for 1995.)
- 2. The amount of which source of revenue changed least between 1995 and 1998?
- 3. What were the federal government's net budget receipts in 1995? 1998?
- 4. What is the percentage of change in total revenues between 1995 and 1998?
- 5. What two sources of revenue increased more than the average from 1995 to 1998?
- **6.** Based on the new information you have calculated, what is one conclusion that you can draw?

CRITICAL THINKING 16

PRIMARY AND SECONDARY SOURCES ON FORMS OF MONEY

Primary sources are records of events by people who witnessed them. Secondary sources pull together information and provide an overview of events after they occur.

Directions: In the space before each of the following passages, write P if it is a primary source or S if it is a secondary source. Then after each secondary source, write the number of the primary source that supports it in the box provided.

·		By the beginning of 1780 Congress had issued \$191,500,000 in paper money ("Continentals") An attempt had been made to retire some of the paper money, but when the failure of states to provide for the current expenses of the war resulted in exceeding the amount retired by over \$35 million Continental currency dropped precipitately. <i>Encyclopedia of American History</i> , Sixth Edition
***************************************	2.	The other revenue, you see, was just salary obtained for regular work; but here was a little business operation upon my own account, and I was very proud indeed of my gold dollar every week. "How I Served My Apprenticeship," by Andrew Carnegie, <i>The Youth's Companion</i> , April 23, 1896.
	*	Barter requires a double coincidence of wants. Each party to a transaction must want exactly what the other person has to offer. In the past, bartering was used extensively, both within and between societies. Today, however, bartering works only in small societies with fairly simple economic systems. Glencoe's <i>Economics Today and Tomorrow</i>
		They afterwards came to the ship's boats where we were, swimming and bringing us parrots, cotton threads in skeins, darts, and many other things; and we exchanged them for other things that we gave them, such as glass beads and copper bells. From <i>The Journal of Christopher Columbus</i>
		Such also, at the beginning of the War of Independence, was the state of want of the insurgent army, and such was the scarcity of money, and the poverty of that government, now so rich, powerful, and prosperous, that its notes, called Continental paper money, were nearly valueless. By the Chevalier de Pontgibaud A French Volunteer of the War of Independence
	6.	Coming to Pittsburgh from Scotland at the age of 13, Carnegie went to work in a cotton factory, where he earned \$1.20 for working a 72-hour week. <i>History of a Free Nation</i>

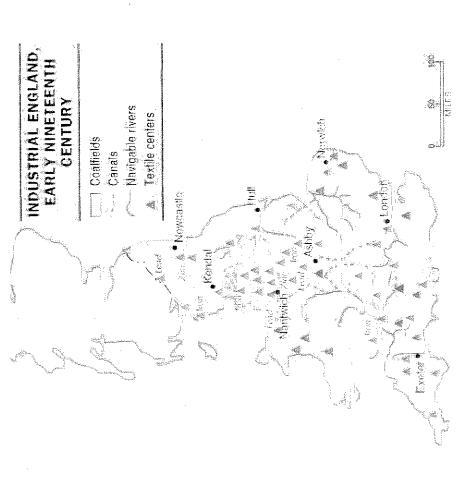
What historical circumstances and geographic context led to the Industrial Revolution in Great Britain?

Objective:

Explain the historical circumstances and geographic context that led to the Industrial Revolution in Great Britain.

Introduction

Directions: Examine the map below, then complete the tasks on the right.



List at least three things you see on this map.

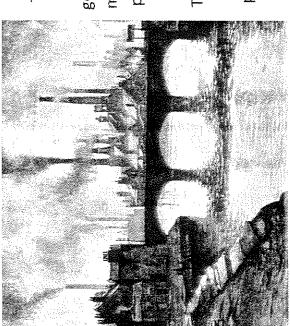
List at least two things you think about the locations of textile centers (factories).

Wonder (1)

Write down at least one question you have about the map.

UNIT 10.3 | Causes and Effects of the Industrial Revolution | SQ 3. What historical circumstances and geographic context led to the Industrial Revolution in Great Britain?

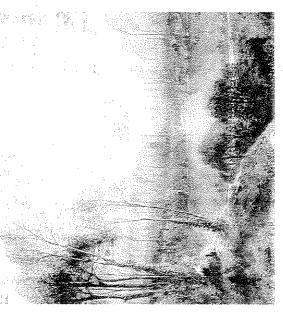
The Industrial Revolution (1750 -1850)



Factories that came to dominate the city skyline in many rapidly expanding cities across.

The Industrial Revolution was the period in which the production of goods shifted from hand production methods to complex machines. This period of industrialization resulted in social and economic changes.

The Industrial Revolution started in Great Britain around 1750. The process of industrialization spread throughout the world in the following centuries.



Manchester from Kersal Moor by William Wyld

Location

Great Britain is the main island of the modern-day country called the United Kingdom and is located northwest of mainland Europe. The Atlantic Ocean is to the west, the North Sea is to the northeast and the English Channel separates Great Britain from France. Because of its location close to mainland Europe and surrounded by major bodies of water, Great Britain was a leader in overseas trade with connections to the Mediterranean Sea and the rest of Europe and to the Americas across the Atlantic Ocean and to Asia around the tip of Africa. As the Industrial Revolution progressed, Great Britain's location made it easy to ship raw materials to factories and finished goods to other places to be sold.

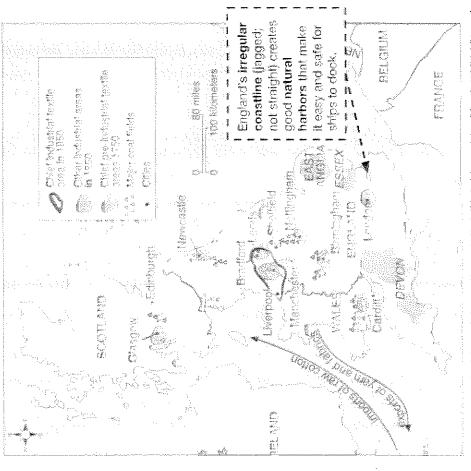
Geographic Features

Two of Great Britain's common geographic features made it a good place to manufacture goods and ship them. First, the island has many gently-flowing rivers which early factories used as energy sources by placing water wheels in the rivers which turned the gears in their factories to run the machines that made goods. The rivers were also used to ship goods to and from factories. The second geographic feature, is an irregular coastline which often creates safe places for ships to dock, called harbors. Great Britain's natural harbors led to the creation of cities that were centers of shipping. Boats carrying goods and people came from the Atlantic Ocean, the North Sea, and English Channel to Great Britain's harbors where their cargo was sold or shipped inland on rivers.

Social Studies Section p 60

Natural Resources

Great Britain was rich with a natural resource that became very important later in the Industrial Revolution and is still important today, coal. Coal is a rock that is combustible, meaning that it burns easily when set on fire. Coal fueled engines that replaced water wheels as the main source of energy for factories and since it was prevalent in Great Britain, there was an inexpensive source that could be used to power factories and later, trains.



Source: Adapted from Holt and O'Connor, Exploring World History Worlthook, Globe Book Company (adapted) from the NVS Global History and Geography Regents Exam, August 2007



Lean more about coal by watching this video from Student Energy entitled "Coal 101."

needed to produce the same amount of food. Since there were fewer jobs in rural areas, many farmers and their families migrated to cities where population. Innovations, such as the seed drill, made the process of planting seeds easier and more efficient which meant that fewer farmers were New tools, fertilizers, and harvesting techniques during the Agricultural Revolution increased productivity which resulted in an increase in factories hired large numbers of workers.

Cause #3: New Technology

New technological innovation in machinery meant that factories could produce more goods in less time, for less money. The cheaper goods were produced, the more money factory owners made and the faster the Industrial Revolution grew and spread

manufacture; the spinning jenny, patented by Hargreaves in 1770; the water-frame, invented by Arkwright the year before; Crompton's mule [spinning machine] introduced in 1779, and the self-acting mule, first invented by Kelly in 1792, but not brought into use until Roberts improved it in 1825. None of these by themselves would have revolutionised the industry. But in 1769...James Watt took out his patent for the steam-engine. Sixteen years later it was applied to the cotton manufacture. In 1785 Boulton and Watt made an engine for a cotton-mill at Papplewick in Notts, and in the same year Arkwright's patent expired. These two facts taken together mark the introduction of the factory system.

Source: Arnold Toynbee, Lectures on the Industrial Revolution of the 18th Century in England, Humboldt (adapted) from the NYS Global History and Geography Regents Exam, June 2006.

Invention Description

Improved steam

Incotton mills.

(James Watt)

Invention

Description

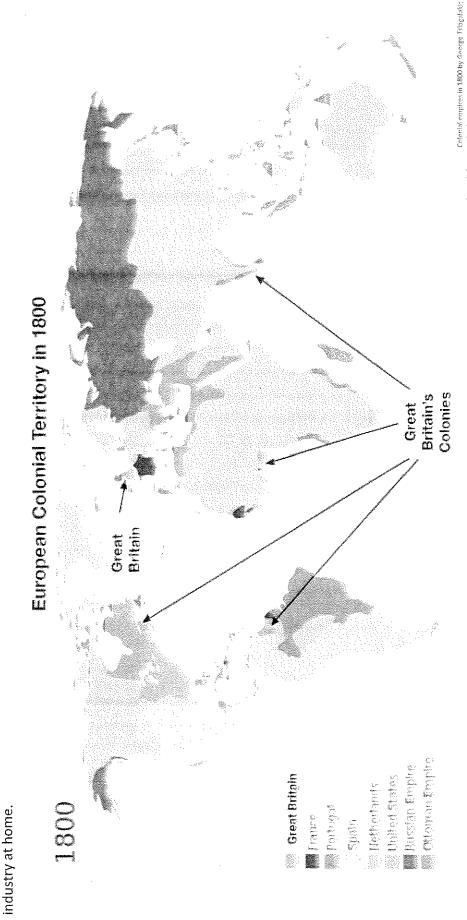
Improved steam

engine

(James Watt)

Source: Ellis and Esler, World History: Connections to Today, Prentice Hall, 1999 (adapted) from the NYS Global History and Geography Regents Exam, January 2013.

where they were turned into finished goods. These manufactured goods were then sold throughout Great Britain, Europe, the United States, and As a result of the Age of Exploration, Great Britain became wealthy and powerful, and gained colonies in North and South America, Africa, and South Asia. During the Industrial Revolution, English traders brought raw materials like cotton from its colonies to the factories in Great Britain back to people living in the British colonies. The money made from selling manufactured goods to Britain's colonies fueled the expansion of





circumstances and geographic context led to the Industrial Revolution in Great

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Connect Cause and Effect



Contextualize

Directions: Complete the tasks below using the information you learned in this lesson and your knowledge of global history. Content and Vocabulary Checklist

Use the checklist below to assess the use of important content and vocabulary in the unit.

Self Yes/No	Teacher Yes/No	Self Teacher Did you use the content and vocabulary below in your response?		. ,		
*		and the second s	The second of th			
					:	1
-						
				:	:	-
		colony (colonies)				
		innovation				

Task: Explain the historical circumstances and geographic context that led to the Industrial Revolution in Great Britain.

<u></u>	
he	
\geq	

date, year, era, "before __," "after_

Where?

continents, regions, countries, geographic features nearby, describe the geography if relevant

14(4),5

use words and phrases like "led to," because, and so to show connections between events and to explain why

Combined Contextualization:

Why did it happen when and where it happened?

Document A: Dr. Ward (Modified)

Michael Ward was a doctor in Manchester for 30 years. His practice treated several children who worked in Manchester factories. He was interviewed about the health of textile factory workers on March 25, 1819, by the House of Lords Committee. The exchange below is an excerpt from the interview.

Question: Give the committee information on your knowledge of the health of workers in cotton-factories.

Answer: I have had frequent opportunities of seeing people coming out from the factories and occasionally attending as patients. Last summer I visited three cotton factories with Dr. Clough of Preston and Mr. Barker of Manchester, and we could not remain ten minutes in the factory without gasping for breath...

Question: What was your opinion of the relative state of health between cotton-factory children and children in other employments? **Answer:** The state of the health of the cotton-factory children is much worse than that of children employed in other manufactories.

Question: Have you any further information to give to the committee?

Answer: Cotton factories are highly unfavourable, both to the health and morals of those employed in them. They are really nurseries of disease and vice.

Question: Have you observed that children in the factories have particular accidents?

Answer: When I was a surgeon in the infirmary, accidents were very often admitted to the infirmary, through the children's hands and arms having being caught in the machinery; in many instances the muscles, and the skin is stripped down to the bone, and in some instances a finger or two might be lost. Last summer I visited Lever Street School. The number of children at that time in the school, who were employed in factories, was 106. The number of children who had received injuries from the machinery amounted to very nearly one half. There were forty-seven injured in this way.

Source: House of Lords Committee (Interviewer) & Michael, W. (Interviewee). (1819).

Document B: Dr. Holme (Modified)

Edward Holme was a physician who lived in Manchester England during the first half of the nineteenth century. He was an active member various academic societies and associations and a well-regarded doctor. In 1818, he was interviewed by the House of Lord's Committee about health conditions of factories. The exchange below is an excerpt from the interview.

Question: How long have you practiced as a physician in

Manchester?

Answer: Twenty-four years...

Question: Has that given you opportunities of observing the state of the children who are ordinarily employed in the cotton-factories?

Answer: It has.

Question: In what state of health did you find the persons employed? **Answer:** They were in good health generally. I can give you particulars, if desired, of Mr. Pooley's factory. He employs 401 persons; and, of the persons examined in 1796, 22 were found to be of delicate appearances, 2 were entered as sickly, 3 in bad health, one subject to convulsions, 8 cases of scrofula (tuberculosis): in good health, 363.

Question: Am I to understand you, from your investigations in 1796, you formed rather a favourable opinion of the health of persons employed in cotton-factories?

Answer: Yes.

Question: Have you had any occasion to change that opinion since? **Answer**: None whatever. They are as healthy as any other part of the working classes of the community....

Question: Who applied to you to undertake the examining of these

children in Mr. Pooley's factory?

Answer: Mr. Pooley.

Source: House of Lords Committee (Interviewer) & Holmes, E. (Interviewee). (1818).

Document C: John Birley (Modified)

John Birley was born in London in 1805. He lost both his parents by the age of 5, and he was sent to the Bethnal Green Workhouse. He soon began working at the Cressbrook factory. John was interviewed about his experiences as a child worker at the Mill in 1849. An article on his life was published in the newspaper, the Ashton Chronicle in May 1849. Below is an excerpt from the article.

Our regular (working time) time was from five in the morning till nine or ten at night; and on Saturday, till eleven, and often twelve o'clock at night, and then we were sent to clean the machinery on the Sunday. No time was allowed for breakfast and no sitting for dinner and no time for tea. We went to the mill at five o'clock and worked till about eight or nine when they brought us our breakfast, which consisted of water-porridge, with oatcake in it and onions to flavour it... We then worked till nine or ten at night...

Mr. Needham, the master, had five sons: Frank, Charles, Samuel, Robert and John. The sons and a man named Swann, the overlooker, used to go up and down the mill with sticks. Frank once beat me till he frightened himself. He thought he had killed me. He had struck me on the temples and knocked me dateless. He once knocked me down and threatened me with a stick. To save my head I raised my arm, which he then hit with all his might. My elbow was broken. I bear the marks, and suffer pain from it to this day, and always shall as long as I live...

I was determined to let the gentleman of the Bethnal Green parish know the treatment we had, and I wrote a letter put it into the Post Office... Sometime after this three gentlemen came down from London. But before we were examined we were washed and cleaned up and ordered to tell them we liked working at the mill and were well treated. Needham and his sons were in the room at the time. They asked us questions about our treatment, which we answered as we had been told, not daring to do any other, knowing what would happen if we told them the truth

Source: Birley, J. (19 May 1849). The Ashton Chronicle.

Document D: Edward Baines (Modified)

Edward Baines was a newspaper journalist and editor for the Leeds Mercury Newspaper. In the 1830s, he was elected to Parliament, and served there as a political liberal. Although Baines supported the end of slavery and various political reforms, he opposed legislation regulating factories and extending voting rights to the English working class. These are excerpts from his book History of the Cotton Manufacture in Great Britain.

Above all, it is alleged that the children who labor in mills are often cruelly beaten by overlookers, that their feeble limbs become distorted by continual standing and stooping, that in many mills they are forced to work thirteen, fourteen, or fifteen hours per day, and that they have not time either for play or for education.

Factory Inspectors who have visited nearly every mill in the country have proved that views mentioned above of labor in factory mills contain a very small portion of truth. It is definitely true that there have been instances of abuse and cruelty in some factories. But abuse is the exception, not the rule. Factory labor is far less injurious than many of the most common jobs of civilized life.

The human frame is liable to an endless variety of diseases. Many of the children who are born into the world, and attain the age of ten or twelve years are so weak, that under any circumstances they would die early. Such children would sink under factory labor, as they would under any other kind of labor, or even without labor.

I am not saying that factories are the most agreeable and healthy places, or that there have not been abuses in them, which required exposure and correction. It must be admitted that the hours of labor in cotton mills are long, being twelve hours a day on five days a week, and nine hours on Saturday. But the work is light, and requires very little muscular exertion. It is scarcely possible for any job to be lighter. The position of the body is not injurious: the children walk about, and have opportunity to sit down frequently if they want to. On visiting mills, I have noticed the coolness and calmness of the work-people, even of the children, whose attitudes are positive and not anxious or gloomy.

Source: Baines, E. (1835). History of the Cotton Manufacture in Great Britain.

Guiding Questions

Document A: Dr. Ward 1) (Sourcing) Why is Dr. Ward being interviewed by the House of Lords Committee?
2) (Close Reading) What does he mean when he refers to factories as "nurseries of disease and vice"?
3) (Close Reading) What evidence does Dr. Ward use to back his claim that factories were unhealthy and unsafe for children?
Document B: Dr. Holme 1) (Sourcing/Corroboration) How is the source information for this document similar to and different from document A?
2) (Close reading) What evidence does Dr. Holme use to back his claim about the health of children in factories? Do you think this is convincing evidence?
3) (Close reading) Why might it matter that Mr. Pooley asked Dr. Holme to examine the children at his factory?
4) Which document, A or B, do you think is more trustworthy? Why?

٥(cument C: John Birley
	(Sourcing) What type of document is this? When was it written?
2.	(Sourcing) How old was John Birley when this account was published?
3.	(Corroboration) Which document, A or B, does this account more closely match? How?
1.	(Close reading) Why did John Birley not tell the truth about life working in the mill to the inspectors?
	Courcing) Who wrote this article? When was it written?
2.	(Sourcing) Why did Baines write this article?
3.	(Close reading) What does he mean in the second paragraph, when he states, "But abuse is the exception not the rule"?
4.	(Close reading) What is Baines' main point in the final paragraph?
5.	(Corroboration) Which document, A or B, does this account more closely match? How?
6.	Who do you think is a more trustworthy source, Birley or Baines? Why?

Making a Claim:

Do you think that English textile factories were bad for the health of working class families?

	Write a paragraph in the space below, using evidence from the documents to support your claims.				
MANUFACTURE OF THE PARTY OF THE					

Document A: The Daily Express

The Daily Express is an English newspaper founded in 1900. Like other English newspapers, it printed daily news and stories on the war. Here is an excerpt written by reporter John D. Irvine describing the first day of the Battle of the Somme. It was published on July 3, 1916.

The great day of battle broke in sunshine and mist. Not a cloud obscured the sky as the sun appeared above the horizon – in the direction where the German trenches lay. . . .

I witnessed the last phase of the bombardment, which **preceded** the advance. It was six o'clock (summer time) when we arrived there. The guns had been roaring furiously all through the night. Now they had, so to speak, gathered themselves together for one grand final effort before our British lions should be let loose on their prey. . . .

A perceptible **slackening** of our fire soon after seven was the first indication given to us that our **gallant** soldiers were about to leap from their trenches and advance against the enemy. Non-combatants [like myself], of course, were not permitted to witness this spectacle, but I am informed that the vigor and eagerness of the first assault were worthy of the best traditions of the British Army. I have myself heard within the past few days men declare that they were getting fed up with the life in the trenches, and would welcome a fight at close quarters. . . .

We had not to wait long for news, and it was wholly satisfactory and encouraging. The message received at ten o'clock ran something like this: "On a front of twenty miles north and south of the Somme we and our French allies have advanced and taken the German first line of trenches. We are attacking vigorously Fricourt, La Boiselle, and Mametz. German prisoners are surrendering freely, and a good many already fallen into our hands."

Source: John D. Irvine, "Special Account of the Fighting in Our New Offensive," The Daily Express, July 3, 1916.

Vocabulary

precede: to come before

gallant: brave

slacken: to loosen up, or taper off

Document B: British Soldier

George Coppard was a British soldier who fought during the entire First World War and was twice wounded. He fought at the Battle of the Somme as a machine gunner and wrote about his experiences in his book, With a Machine Gun to Cambrai. In this excerpt, Coppard recollects his experience on July 2, 1916.

The next morning we gunners surveyed the dreadful scene in front of our trench. There was a pair of binoculars in the kit, and, under the brazen light of a hot mid-summer's day, everything revealed itself stark and clear. . . .

Immediately in front, and spreading left and right until hidden from view, was clear evidence that the attack had been brutally repulsed. Hundreds of dead, many of the 37th Brigade, were strung out like wreckage washed up to a highwater mark. Quite as many died on the enemy wire as on the ground, like fish caught in the net. They hung there in grotesque postures. Some looked as though they were praying; they had died on their knees and the wire had prevented their fall. From the way the dead were equally spread out, whether on the wire or lying in front of it, it was clear that there were no gaps in the wire at the time of the attack.

Concentrated machine gunfire from sufficient guns to command every inch of the [barbed] wire, had done its terrible work. The Germans must have been reinforcing the wire for months. It was so dense that daylight could barely be seen through it. Through the glasses it looked a black mass. The German faith in massed wire had paid off.

How did our planners imagine that Tommies [British soldiers], having survived all other hazards - and there were plenty in crossing No Man's Land - would get through the German [barbed] wire? Had they studied the black density of it through their powerful binoculars? Who told them that artillery fire would pound such [barbed] wire to pieces, making it possible to get through? Any Tommy could have told them that shell fire lifts [barbed] wire up and drops it down, often in a worse tangle than before.

Source: George Coppard, With a Machine Gun to Cambrai, 1969.



repulsed: resisted; stopped

Document C: German Soldier

Otto Lais was a soldier in German Infantry Regiment 169. He was a machine gunner and fought at the Battle of the Somme. Here is an excerpt from his memoir recounting his experience during the battle's first day. The date of his memoir is unknown. It was originally published in 1935.

Wild firing slammed into the masses of the enemy. All around us was the rushing, whistling, and roaring of a storm: a hurricane, as the destructive British shell rushed towards our artillery which was firing courageously. . . . The machine gunners were earning their pay today. Belt after belt was fired, 250 rounds – 1,000 – 3,000. . . .

The British keep charging forward. Despite the fact that hundreds are already lying dead in the shell holes to our front, fresh waves keep emerging from the assault trenches . . . 18,000 rounds! The other platoon weapon (machine gun) has a stoppage. Gunner Schwarz falls shot through the head over the belt he is feeding. The belt twists, feeds rounds into the gun crookedly and they jam! Next man forward. The dead man is removed. The gunner strips the feed mechanism, removes the rounds and reloads. Fire; pause; barrel change; fetch ammunition; lay the dead on the floor of the crater. That is the hard, unrelenting tempo of the morning of 1st July 1916. The sound of machine gun fire can be heard right across the divisional front. The youth of England bled to death in front of Serre [our position].

Source: Otto Lais, "A Machine-gunner in Iron Regiment 169," date unknown, originally published 1935.

The Battle of the Somme Graphic Organizer

	Doc A	Doc B	DocC
Who wrote it? When? What type of source?			
Author's Tone (include 1-2 examples)			
Did the author witness the events he describes?			
Who won the first day of the battle? How?			
Is this source trustworthy? Why?			

:	Use evidence from the three documents to write a paragraph addressing the question: Who won the first day of the Battle of the Somme?		
		•	
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Appeasement Timeline

March	13,	1938	Germany	annexes	Austria.

Sept. 22-24, 1938	Chamberlain meets with Hitler in Godesberg,
	Germany. Hitler claims Sudetenland region of
	Czechoslovakia would be final German demand for
	territory.

Sept. 29, 1938	Germany, Italy, Great Britain, and France sign the
	Munich Agreement.

March 14-15, 1939	Germany breaks the Munich Agreement and
,	occupies the rest of Czech lands.

March 31, 1939	France and Great Britain agree to support Poland
	against Nazi aggression.

Aug. 23, 1939	Germany and the Soviet Union sign the Nazi-Soviet
	Pact, dividing Eastern Europe into spheres of
	influence.

Sept.	1.	1939	Germany	invades	Poland.
~~~~	* 5	1000		mruaco	. Oldilo.

# **Document A: Neville Chamberlain** (Modified)

Neville Chamberlain met with Adolf Hitler twice in 1938 to discuss Germany's aggressive foreign policy. On September 30, 1938, they signed the Munich Pact, which gave the Sudetenland of Czechoslovakia to Germany. In exchange, Hitler agreed that Germany would not seek to acquire additional territory. In this excerpt, Chamberlain defends the agreement in front of the United Kingdom's House of Commons.

What is the alternative to this bleak and barren policy of the inevitability of war? In my view it is that we should seek by all means in our power to avoid war, by analyzing possible causes, by trying to remove them, by discussion in a spirit of collaboration and good will. I cannot believe that such a program would be rejected by the people of this country, even if it does mean the establishment of personal contact with dictators. . . .

I do indeed believe that we may yet secure peace for our time, but I never meant to suggest that we should do that by disarmament, until we can **induce** others to disarm too. Our past experience has shown us only too clearly that weakness in armed strength means weakness in diplomacy, and if we want to secure a lasting peace, I realize that diplomacy cannot be effective unless . . . behind the diplomacy is the strength to give effect. . . .

I cannot help feeling that if, after all, war had come upon us, the people of this Country would have lost their spiritual faith altogether. As it turned out the other way, I think we have all seen something like a new spiritual revival, and I know that everywhere there is a strong desire among the people to record their readiness to serve their Country, where-ever or however their services could be most useful.

Source: Neville Chamberlain to the House of Commons, October 5, 1938.

Vocabulary		
induce: convince		

# **Document B: Winston Churchill** (Modified)

Winston Churchill was the loudest and most important critic of Chamberlain's policy of appeasement. He believed that Hitler and Germany needed to be dealt with more firmly. The following excerpt is from part of a speech Churchill made to the House of Commons as they debated the Munich Agreement.

I will begin by saying what everybody would like to ignore or forget but which must nevertheless be stated, namely, that we have sustained a total . . . defeat. . . . The utmost he [Chamberlain] has been able to gain for Czechoslovakia and in the matters which were in dispute has been that the German dictator, instead of snatching his **victuals** from the table, has been content to have them served to him course by course. . . .

I have always held the view that the maintenance of peace depends upon the accumulation of **deterrents** against the aggressor, coupled with a sincere effort to **redress** grievances. . . . After the [German] seizure of Austria in March . . . I ventured to . . . pledge that in conjunction with France and other powers they would guarantee the security of Czechoslovakia while the Sudeten-Deutsch question was being examined either by a League of Nations Commission or some other **impartial** body, and I still believe that if that course had been followed events would not have fallen into this disastrous state. . . .

I venture to think that in the future the Czechoslovak State cannot be maintained as an independent entity. You will find that in a period of time, which may not be measured by years, but may be measured only by months, Czechoslovakia will be **engulfed** in the Nazi regime. . . . We are in the presence of a disaster of the first magnitude which has befallen Great Britain and France. . . . This is only the beginning of the reckoning.

Source: Winston Churchill to the House of Commons, October 5, 1938.

# Vocabulary

victuals: food

<u>deterrents</u>: prevention strategies

redress: to make right

impartial: fair and just engulfed: consumed

# **Document C: Bartlett** (Modified)

Vernon Bartlett was an outspoken critic of the Munich Agreement. He was elected to Parliament in 1938, in part, because of his opposition to appeasement. He was in Godesberg, Germany, working as a reporter when Chamberlain and Hitler met on September 22, 1938. He wrote about the meeting in his book And Now, Tomorrow (1960). The following is an excerpt from the book.

The mood of the German officials when it was announced that the Prime Minister (Chamberlain) would not see the Chancellor (Hitler) again was one almost of panic. This meant either war or a Hitler surrender. The crowds that applauded Chamberlain as he drove along the Rhine consisted not so much of ardent nationalists, delighted that a foreign statesman had come to make **obeisance** to their Fuehrer, as of ordinary human beings who wanted to be kept out of war.

Since history cannot - thank God - repeat itself, one cannot produce proof to support one's opinions, but I am firmly convinced that, had Chamberlain stood firm at Godesberg, Hitler would either have climbed down or would have begun war with far less support from his own people than he had a year later.

The British forces, one is told, were **scandalously** unprepared, and were able to make good some of their defects (become better prepared) during that year. But meanwhile the Western Allies lost the Czechoslovak Army one of the best on the Continent - defending a country (Czechoslovakia) from which the German armies could be **out-flanked**.

Source: Vernon Bartlett, And Now, Tomorrow, 1960.

# Vocabulary

obeisance: respect

scandalously: worthy of public outrage out-flanked: out-maneuver an enemy

# **Document D: Henry Channon** (Modified)

Henry Channon was born in America but became a member of Parliament in Britain in 1935. Throughout his life, he kept a detailed diary. The entry below is from the day that Hitler invaded Czechoslovakia, March 15, 1939.

Hitler has entered Prague, apparently, and Czechoslovakia has ceased to exist. No balder, bolder departure from the written bond has ever been committed in history. The manner of it surpassed comprehension, and his callous desertion of the Prime Minister is stupefying...The PM must be discouraged and horrified...I thought he looked miserable. His whole policy of appeasement is in ruins. Munich is a torn-up episode. Yet never has he been proved more abundantly right for he gave us six months of peace in which we re-armed, and he was right to try appeasement.

Source: Henry Channon, diary entry, March 15, 1939.

# **Document E: Lord Halifax** (Modified)

Lord Halifax was the British Foreign Secretary from 1938 –1940 and was a key figure in supporting the policy of appearement. In 1957 he wrote his memoirs, which included long sections devoted to defending the policy of appearement. The following excerpt comes from his memoirs, Fulness of Days, and attempts to give one reason why appearement was a good policy.

When all has been said, one fact remains dominant and unchallengeable. When war did come a year later [in 1939] it found a country and Commonwealth (the United Kingdom) wholly united within itself, convinced to the foundations of soul and conscience that every conceivable effort had been made to find the way of sparing Europe the ordeal of war, and that no alternative remained. And that was the best thing that Chamberlain did.

Source: The Earl of Halifax, The Fulness of Days, 1957.

# **Appeasement: Guiding Questions**

Document A:	Chamberlain
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	(Sourcing) When and where did this speech take place? What was Chamberlain's goal for the Munich Agreement?
2)	(Context) Why might people in England in 1938 have supported appearement?
3)	(Close reading) What did Chamberlain claim England should do while pursuing the policy of appeasement?
D.	cument B: Churchill
	(Sourcing) When and where did this speech take place? What was Churchill's purpose?
2)	(Close reading) What did Churchill mean when he said that instead of being forced to "snatch" his "victuals from the table," Hitler had "them served to him course by course"?
3)	(Context) In the second paragraph, what did Churchill claim could have prevented Germany from taking the Sudetenland? Did he offer any evidence for this claim?
4)	(Context) What did Churchill predict will happen in Czechoslovakia?

	cument C: Bartlett (Sourcing) When was this document written? What was Bartlett's purpose in writing it?
2)	(Close reading) What did Bartlett claim Hitler would have done if Chamberlain had "stood firm" and not pursued appeasement? What, if any, evidence did Bartlett offer to support this claim?
3)	(Context) What point did Bartlett make about the British and Czechoslovakian armies?
	cument D: Channon (Sourcing/Context) When was this document written? What had just happened?
2)	(Context) Why did Channon claim appeasement was the right policy? What, if any, evidence did he use to back this claim?
	cument E: Lord Halifax (Source) When was this document written? What was Halifax's purpose for writing it?
2)	(Context) Why did Halifax claim appeasement was the right policy? What, if any, evidence did he use to back this claim?

# **Appeasement Hypotheses**

Hypothesis #1: After reading Documents A and B, create a hypothesis to answer the question: Was appearement the right policy for England in 1938? Cite evidence from			
the documents to support your answer.	344 300 -		
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Hypothesis #2: After reading Documents C, D, and E, create a hy the question: Was appeasement the right policy for England in 1 from the documents to support your answer.			
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