

**Subject: English**

State Standard

CCSS.ELA-Literacy.RL.11-12.3

Weeks of: 3/17/20-3/20/20 and 3/23/20-3/27/20

Read the following two stories:

Story #1: La Llorona: The Weeping Woman, retold by Joe Hayes

Story #2: The Tell-Tale Heart, an adapted story by Edgar Allan Poe

For each story write and define all the:

- Literary terms
- Selection vocabulary.
- Write a sentence per each vocabulary word.
- Answer all the questions at the end of each story.

**Find and write the following:**

- Characters:** List the main characters and briefly describe them.
- Setting:** Tell where and when the story takes place. Be specific.
- Problem:** Describe the main character's problem.
- Solution:** Tell how the problem was solved, and how the story ended.

# La Llorona: The Weeping Woman

*retold by Joe Hayes*

## Words to Know

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### LITERARY TERM

**cause and effect** any event or action that leads to a certain result

### SELECTION VOCABULARY

**humble** not proud

**increased** became greater in degree

**dashing** very stylish

**serenade** sing below someone's window to get his or her attention

**haughty** proud acting, stuck up

**engaged** planning to get married

**ignored** did not pay attention to

**pitifully** very sadly

**burial** burying the dead

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*This is a story that the old ones have been telling to children for hundreds of years. It is a sad tale, but it lives strong in the memories of the people, and there are many who swear that it is true.*

Long years ago in a **humble** little village there lived a fine looking girl named María. Some say she was the most beautiful girl in the world! And because she was so beautiful, María thought she was better than everyone else.

As María grew older, her beauty **increased**. And her pride in her beauty grew too. When she was a young woman, she would not even look at the young men from her village. They weren't good enough for her!

María is very beautiful, but she thinks she's better than anyone else. What problems do you think her self-image might cause?

"When I marry," María would say, "I will marry the most handsome man in the world."

And then one day, into María's village rode a man who seemed to be just the one she had been talking about. He was a **dashing** young ranchero—the son of a wealthy rancher from the southern plains.

He could ride like a Comanche! In fact, if he owned a horse, and it grew tame, he would give it away and go rope a wild horse from the plains. He thought it wasn't manly to ride a horse if it wasn't half wild.

He was handsome! And he could play the guitar and sing beautifully. María made up her mind—that was the man for her! She knew just the tricks to win his attention.

If the ranchero spoke when they met on the pathway, she would turn her head away. When he came to her house in the evening to play his guitar

*This dashing young ranchero sounds like everything María could ever want. However, there are hints that he may not be the perfect husband for her after all. What are these hints?*



and serenade her, she wouldn't even come to the window. She refused all his costly gifts.

The young man fell for her tricks. "That haughty girl, María!" he said to himself. "I know I can win her heart. I swear I'll marry that girl."

And so everything turned out as María planned. Before long, she and the rancho became engaged and soon they were married.

At first, things were fine. They had two children and they seemed to be a happy family together.

But after a few years, the rancho went back to the wild life of the prairies. He would leave town and be gone for months at a time. And when he returned home, it was only to visit his children. He seemed to care nothing for the beautiful María. He even talked of setting María aside and marrying a woman of his own wealthy class.

As proud as María was, of course she became very angry with the rancho. She also began to feel anger toward her children, because he paid attention to them, but just ignored her.

One evening, as María was strolling with her two children on the shady pathway near the river, the rancho came by in a carriage. An elegant lady sat on the seat beside him. He stopped and spoke to his children, but he didn't even look at María. He whipped the horses on up the street.

When she saw that, a terrible rage filled María, and it all turned against her children. And although it is sad to tell, the story says that in her anger María seized her two children and threw them into the river!

But as they disappeared down the stream, she realized what she had done! She ran down the bank of the river, reaching out her arms to them. But they were long gone.

On and on ran María, driven by the fear that filled her heart, until finally she sank to the ground and lay still.

What do you think of María's tricks to win the rancho's attention? Is she wise or foolish in using the approach she uses?

The rancho loses interest in María. His new feelings will begin a chain of unhappy events. As you read, notice the effects his behavior has on María.

Extreme anger can make people do terrible things. Why do you think María turns against her children?

The next morning, a traveler brought word to the villagers that a beautiful woman lay dead on the bank of the river. That is where they found María, and they laid her to rest where she had fallen.

But the first night María was in the grave, the villagers heard the sound of crying down by the river. At first they thought it was only the wind they were hearing. But when they listened more carefully, they heard words. "Aaaaiiii . . . my children," a voice sobbed **pitifully**. "Where are my children?"

And they saw a woman walking up and down the bank of the river, dressed in a long white robe, the way they had dressed María for **burial**.

On many a dark night they saw her walk the river bank. But more often they would hear her cry for her children. And so they no longer spoke of her as María. They called her La Llorona—the weeping woman. And by that name she is known to this day.

There are many names the people could have given María. Why do you think they chose La Llorona, or the Weeping Woman?



And they still warn the young ones, "When it grows dark, get inside the house. La Llorona may be about, looking for her children. Be careful! She might mistake you for one of her own."

They tell of many children down through the years who have been chased by the crying ghost—and of some who have even been caught!

*Is the story really true? Who knows? Some claim that it is. Others say that it isn't. But the old ones still tell it to the children, just as they heard it themselves when they were young. And in the same way the children who hear it today will some day tell it to their own children and grandchildren.*

### Literature Practice

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Answer these questions on a separate sheet of paper.

1. Write at least three things about the rancho that impressed María.
  2. The story doesn't say why the rancho loses interest in María. Why do you think he does?
  3. How does María's pride finally cause her unhappiness?
  4. How do you think the people from María's village feel when she is found dead? Explain your answer.
  5. Why do people now call María, La Llorona, or the Weeping Woman?
  6. Why do you think people have told this story to children for hundreds of years?
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# The Tell-Tale Heart

*an adapted story by Edgar Allan Poe*

## Words to Know

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### LITERARY TERMS

**imagery** writers use special words or images to make the reader aware of how something in a story looks, sounds, or feels

✓ **first-person point of view** the main character tells the story, using *I* to refer to himself or herself

### SELECTION VOCABULARY

**haunted** reappeared, often in a scary way

**passion** a strong or deep feeling

**film** a thin coat of something

**triumph** an important success

**shutters** attached window covers that can be opened

✓ **muffled** less loud

**furious** very angry

**intense** something that is very strong

**seized** grabbed suddenly

**corpse** a dead body

**foul play** dishonest behavior, murder

**paced** walked back and forth

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Nervous—very, very nervous I had been and am. But why do you say that I am mad? The disease had sharpened my senses—not destroyed or dulled them. Especially sharp was the sense of hearing. I heard all things in heaven and on earth. I heard many things in hell. How, then, am I mad? Listen! See how clearly and calmly I can tell you the whole story.

It is impossible to say how the idea first entered my brain. But once it was born, it **haunted** me day

This story is told from the first-person point of view. This means that all the action of the story is seen through the eyes of the narrator. The narrator is the person telling the story.

and night. There was no reason for it. There was no **passion** to it. I loved the old man. He had never wronged me. He had never insulted me. I had no desire for his gold.

I think it was his eye! Yes, it was this! He had the eye of a vulture. It was a pale blue eye with a **film** over it. Whenever it looked at me, my blood ran cold. And so very gradually I made up my mind to take the life of the old man. This way I would be rid of the eye forever.

Now this is the point. You think I am mad. Madmen know nothing. But you should have seen *me*. You should have seen how wisely, how carefully I went to work. I was never kinder to the old man than during the whole week before I killed him. Every night, about midnight, I turned his door knob. I opened his door—oh, so gently.

The opening I made was large enough for my head. I put in a dark lantern, all closed, so that no light shone out. Then I thrust in my head. You would have laughed to see how smartly I thrust it in! I moved it very, very slowly so that I might not disturb the old man's sleep. Ha!—Would a madman have been so wise as this?

Then, when I was in the room, I undid the lantern carefully—oh, so carefully. I undid it just enough so that a single thin ray fell upon the vulture eye. This I did for seven long nights—every night just at midnight. But I found the eye always closed. So it was impossible to do the work. For it was not the old man that annoyed me, but his Evil Eye.

Every morning, when day broke, I went boldly into his room. I spoke bravely to him. I called him by his first name in a friendly tone and asked how he had passed the night. So he would have been a very smart man indeed to suspect what I did every night at midnight.

On the eighth night I was more careful than ever

How does the narrator describe himself? Do you think he can tell his story calmly and clearly? Why or why not?

Notice the imagery Poe uses to describe the old man's eye. It looks like "the eye of a vulture," and it is "a pale blue eye with a film over it." How does this description make you feel about the old man's eye?

The narrator is very careful in describing how he enters the old man's room. For seven nights he has done the same thing. What do you think will happen on the eighth night?





in opening the door. Never before that night had I *felt* the strength of my powers—of my wisdom. I could hardly hold in my feelings of triumph. There I had been opening the door little by little each night. He did not even dream of my secret deeds or thoughts.

I almost laughed at the idea, and perhaps he heard me. For he moved on the bed suddenly, as if he were startled. Now you may think that I drew back—but no. His room was pitch black, for the shutters were closed. So I knew he could not see the opening of the door. I kept pushing it open steadily, steadily.

I had my head in. I was about to open the lantern, when my thumb slipped on the tin fastening. The old man sprang up in the bed and cried out, "Who's there?"

I kept quite still and said nothing. For a whole hour I did not move a muscle. During that hour I did not hear him lie down. He was sitting up in the bed listening.

Soon, I heard a slight groan. It was not a groan of pain or of grief. Oh, no! It was the low, muffled sound that comes up from the soul when it is filled with fear. I knew the sound well. Many a night, just at midnight, it had welled up from my own chest. With its awful echo, it deepened the terrors that disturbed me. I knew what the old man felt, and I pitied him, although I chuckled at heart.

I waited a long time without hearing him lie down. I decided to make a slight opening in the lantern. I did so quietly—you cannot imagine how quietly. Finally, a single dim ray shot out from the opening and fell upon the vulture eye.

The eye was open, wide open. I grew furious as I gazed upon it. I saw it perfectly. It was a dull blue, with a disgusting veil over it that chilled my very bones. But I could see nothing else of the old man's body. For I had directed the light right upon the spot.

I have told you that what you mistake for madness is a sharpness of my senses. Now I say *that* what came to my ears was a low, dull, quick sound. It was a sound such as a watch makes when it is covered with cotton. I knew that sound well, too. It was the beating of the old man's heart. It increased my fury, as the beating of the drum stirs the soldier's courage.

Yet, I kept still. I hardly breathed. I did not move the lantern. I tried to hold the ray of light steadily upon the eye. Meantime the horrible beating of the heart continued. It grew quicker and quicker, and louder and louder. The old man's terror **must** have been rather intense.

It grew louder, I say, louder every moment! Do you hear me? I told you that I am nervous. So I am. Now at this dead hour of the night, in the awful silence of that old house, this strange noise excited

The narrator insists, for the third time, that he is not mad. He also says his hearing is very sharp. As you continue to read, do you agree that he is not mad? Why or why not?

Poe uses imagery to help you feel and hear the old man's heartbeat. As you read this, do you feel the terror of the old man? How do you think the narrator feels at this moment?

me to great terror. The beating grew louder, louder! I thought the heart would burst.

Now a new worry **seized** me. The sound would soon be heard by a neighbor! The old man's hour had come. With a loud yell, I threw open the lantern and jumped into the room.

He cried out once—only once. In an instant, I dragged him to the floor and pulled the heavy bed over him. I then smiled happily to find the deed done. But for many minutes the heart beat on with a muffled sound. This, however, did not bother me. It would not be heard through the wall. Finally it stopped. The old man was dead.

I removed the bed and examined the **corpse**. Yes, he was stone dead. I placed my hand upon the heart and held it there for many minutes. There was no pulse. He was dead. His eye would trouble me no more.

Do you still think me mad? You will think so no longer when I describe how I hid the body. I worked quickly, but in silence. I took up three planks from the floor. Then I placed the body under the boards and replaced them. I did this so cleverly that no human eye—not even his—could have found anything wrong.

When I had finished, it was four o'clock, still dark as midnight. There came a knocking at the street door. I went down to open it with a light heart. For what had I *now* to fear?

Three men entered. They introduced themselves as officers of the police. A cry had been heard by a neighbor during the night. Someone suspected **foul play**. The police had been called, and these men were ordered to search the house.

I smiled, for *what* had I to fear? The cry, I said, was my own in a dream. The old man, I said, was away in the country. I took my visitors all over the house. I told them to search—search well.

Finally, I led them to *his* room. I showed them his treasures, safe and secure. I brought chairs into the

Note the use of short sentences. This helps the reader understand how frightened the narrator now feels.

The narrator tells the reader the old man is dead three times. Why do you think the narrator needs to repeat this?

Who is the narrator referring to when he says, "not even his"?

room and told them to rest *here*. I placed myself in a chair above the very spot where the victim was buried!

The officers were satisfied. I was at ease. They sat and talked of familiar things. But before long, I felt myself getting pale and wished them gone. My head ached, and I thought I heard a ringing in my ears. The ringing became clearer. I talked more freely to get rid of the sound. But it continued. Finally, I found that the noise was not within my ears.

The sound increased—and what could I do? It was a low, dull, quick sound, much like a watch makes when it is covered with cotton. I gasped for breath—yet the officers did not hear it. I talked more quickly, more forcefully. But the noise steadily increased.





As the story closes, Poe uses punctuation to show the reader how upset the narrator has become. It also helps the reader to see how calm the police officers are. This difference helps the reader to feel the mood of the characters.

I paced the floor. But the noise steadily increased. Oh, God! What could I do? I swung the chair upon which I had been sitting and scraped it upon the boards. But the noise continued.

It grew louder—louder—*louder!* And still the men talked pleasantly. Was it possible they did not hear it? No! They heard. They suspected. They *knew*. They were making a fool of me.

Anything was better than this agony! I could bear those awful smiles no longer. I felt I must scream or die! And now again, listen! louder! louder! *louder!*

“Villains!” I cried. “Search no more! I admit the deed. Tear up the planks! Here—here! It is the beating of his awful heart!”

## Seeing is Believing

It is 1962. You are sitting in a movie theater watching *Tales of Terror*. The movie is based on the horror stories of Edgar Allan Poe. The popcorn you are eating reaches your mouth much more slowly as the scenes flash by. In one, you watch a man being buried alive behind a brick wall. In another, you hear the horrible screams of a man being tortured. Do you ever wonder how these scenes are done? The magic is done with special effects. The screams you hear are from a sound track that is added to the film after the action is done. Shadowy background lights add to the creepy feeling you get while watching a horror movie. Those weird, twisted faces can be done with special make-up. Huge hairy spiders, ghosts flying through the air, or madmen screaming in terror—all are skillfully done to make you really believe what you see!

### Literature Practice

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Answer these questions on a separate sheet of paper.

1. Does the narrator think he is mad? Explain your answer.
  2. What does the narrator do in the old man's room each night?
  3. Why does the narrator murder the old man?
  4. Why do you think the narrator tells the police that he has killed the old man?
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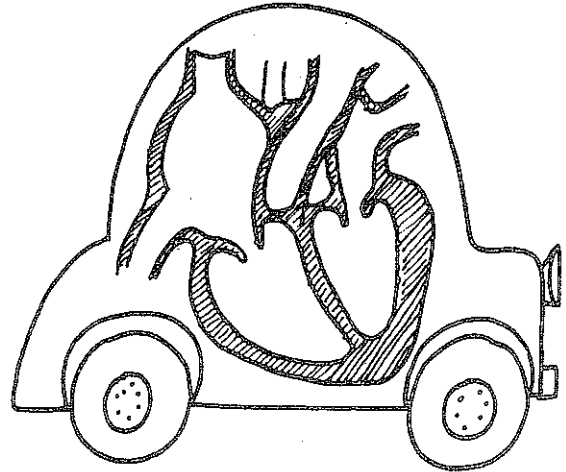
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## Why Should You Exercise?

Do you know that the human body and a car have something in common? Both need tune-ups to work efficiently. Just as a car engine needs oil to make the parts go, a body needs oxygen to work. Exercise helps bring more oxygen to the body. So you might say that exercise is a tune-up for the body.

Not only does exercise help the body by increasing the flow of oxygen, but it helps the heart, too. Even a simple walk can make the heart pump faster. By pumping faster, the heart works harder and becomes stronger. Therefore, exercise can help keep your heart young and healthy.

Besides these two very important reasons to exercise, activity can help a person feel better. Exercise such as swimming, bicycling, and walking can be fun and relaxing. Experts say that exercise reduces stress and makes a person more cheerful.



Remember, your body, like a car, is made to move. When it doesn't, things start to break down. It's up to you to make sure that your body is in top condition.

1. In one paragraph, summarize the main idea of this article.

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2. Why is your body like a car? \_\_\_\_\_

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3. What three important benefits does exercise give you?

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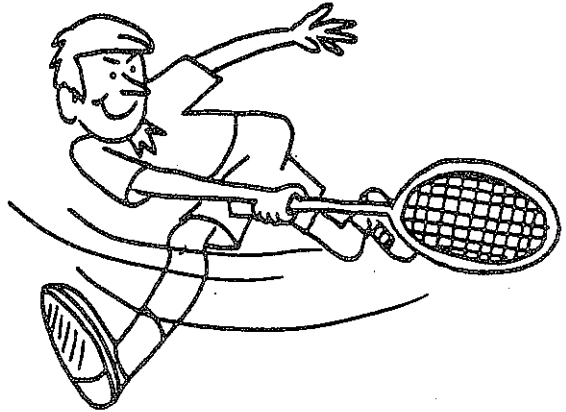
4. What is oxygen? \_\_\_\_\_

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# More Good Reasons to Exercise

## EXERCISE CAN . . .

1. **HELP YOU LOSE WEIGHT.** When you diet and exercise, you lose fat and gain muscle. Exercise helps burn body fat.
2. **KEEP YOUR REACTIONS SHARP.** Without exercise, your reaction time may slow down. People who play hockey, racquet games, and volleyball have good reaction times.
3. **LOWER THE RISK OF SOME DISEASES.** Studies show that people who exercise have fewer heart attacks than those who don't. Studies also show that through exercise people can often lower their blood pressure and reduce the number of headaches they get.
4. **BUILD STRONGER BONES.** Doctors who study bones say that those people who exercise have stronger and larger bones. This, in turn, makes them stronger.



1. In a paragraph, write the main idea of this article.

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2. List the benefits of exercise.

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3. What sports develop players with good reaction times?

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4. If you wanted to lose weight, what would you do?

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Name \_\_\_\_\_

## Ready...Get Set...Go!

You are comfortably napping in bed. Outside you see the rain coming down. Or, you are on a warm and sunny beach relaxing on a blanket. But both times you are not truly resting. Inside your head, a little voice is buzzing and telling you to get up and exercise. You want to swat the thought out of your head as though it were a pesky fly.

Sometimes it is hard to get started on the exercise road. So what can you do to start and stick with a program of exercise?

**First, plan an exercise that is easy.** Don't try swimming 100 laps a day at first. Set a goal that you can reach each day.

**Second, stick to a plan.** Sometimes it is helpful to keep a chart or a diary. It is better to exercise a little each day than to overdo it on weekends.

**Third, don't expect magic results.** You will improve, but improvement takes time. You may even be stiff and sore when you first work out.

**Fourth, make time for exercise each day.** You need only about 30 minutes a day. Get up earlier or give up a TV program.

**Finally, choose an exercise that is fun for you.** If jogging is work, try walking or cycling. If you enjoy your exercise, chances are you will stick to it.

1. In a few sentences, explain this article. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
2. Why should you choose an exercise that is easy? \_\_\_\_\_  
\_\_\_\_\_
3. How can you fit an exercise period into your day? \_\_\_\_\_  
\_\_\_\_\_
4. Why is it helpful to have an exercise plan? \_\_\_\_\_  
\_\_\_\_\_

**BONUS:** Make an exercise plan for yourself. Include the times and types of exercises you will do.

## What Makes Johnny Run?

Do you know that over 3 million people in this country exercise by running? Running improves breathing and strengthens the heart. It also strengthens the legs, muscles, and bones. Running can even help keep you thin. Best of all, running requires no equipment and no organized team. You can run alone, and you can set your own *stamina* goals.

To make running a safe and good exercise, you should follow a few important rules:

1. **Choose good running shoes.** Make sure they fit and are comfortable.
2. **Stretch your muscles before you begin.** Chances are you will hurt less if you warm up before you run.
3. **Cool down after a run.** Spend the last five minutes walking. Do some stretching to allow your blood to return to your heart from your arms and legs.
4. **Keep your back straight and your head forward as you run.** Running in a good position will help you avoid hurting your back.



1. Write another title for this article.

\_\_\_\_\_

2. How does running improve your health? \_\_\_\_\_

\_\_\_\_\_

3. Why do you need to "cool down" after running? \_\_\_\_\_

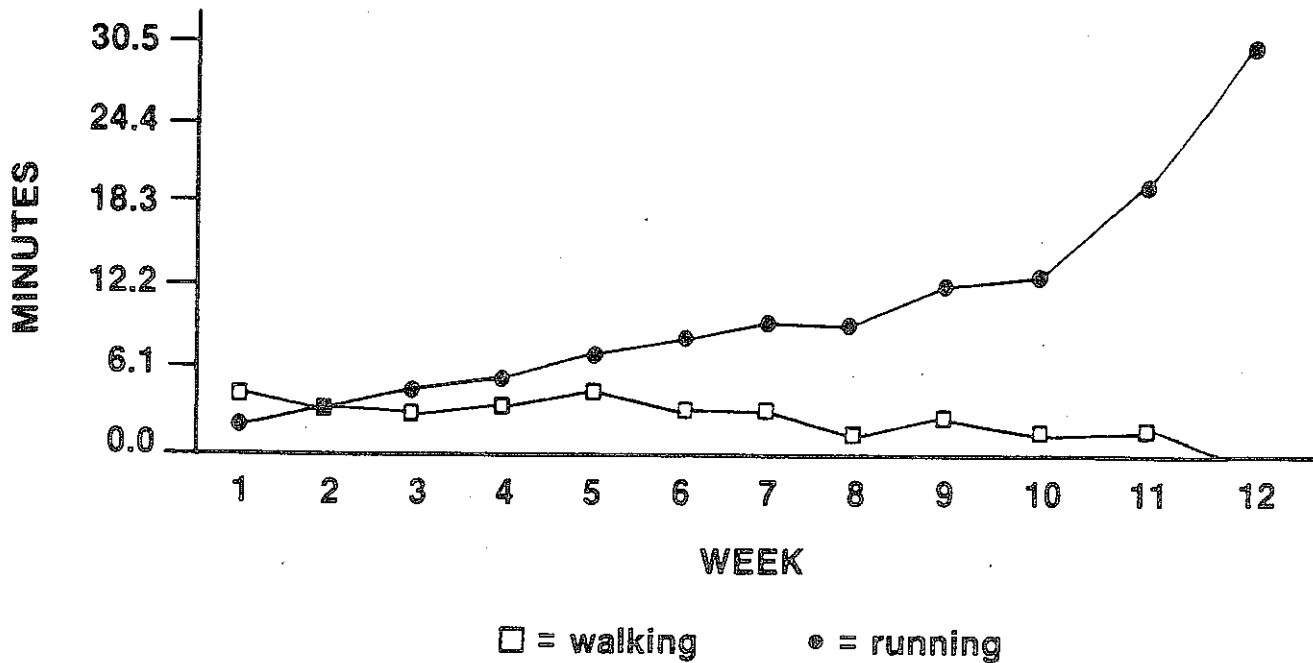
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4. Why are good running shoes important? \_\_\_\_\_

\_\_\_\_\_

Name \_\_\_\_\_

# Walking and Running — Building Endurance



When you start a running program, it is important to mix running with walking. You should try to alternate the running and walking minutes, for a total of 30 minutes each session.

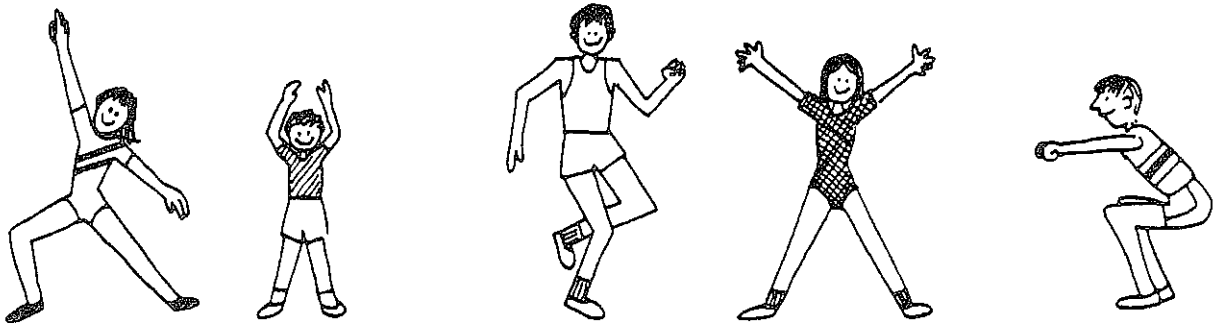
1. What type of graph is this? \_\_\_\_\_
2. What two activities are represented by the lines?  
\_\_\_\_\_
3. What do the vertical numbers represent? \_\_\_\_\_
4. What do the horizontal numbers represent? \_\_\_\_\_
5. During week 1, about how many minutes should you walk? \_\_\_\_\_  
About how many minutes should you run? \_\_\_\_\_
6. During week 4, about how many minutes should you walk? \_\_\_\_\_  
About how many minutes should you run? \_\_\_\_\_
7. During week 8, about how many minutes should you walk? \_\_\_\_\_  
About how many minutes should you run? \_\_\_\_\_
8. What should happen as the weeks pass, according to this graph?  
\_\_\_\_\_

# Aerobics Can Be Fun

**AEROBICS!** What does that word mean? Everyone seems to have a video tape on aerobic exercise.

To be a true aerobic exercise, a physical activity must work the heart and lungs for about 30 minutes without stopping. This type of exercise helps make the heart more *efficient*. That is, the heart pumps blood through the body more easily in those people who practice some form of aerobic exercise.

Aerobic dancing makes exercise fun! The dances are designed to fit a certain type of music. The steps might include hopping, skipping, stretching, or running. But, **BEGINNERS MUST BE CAUTIOUS**. As with any other exercise, it is important to begin slowly and gently. If you decide to join an aerobics class, do NOT try to keep up with the instructor the first day. Use common sense. If you decide to exercise to a video tape at home, find one that is comfortable for you. As you do aerobic exercises, it is important to remember to breathe deeply. Also, to be safe, you should include warm-up and cooling-down stretches as part of your routine.



1. In one paragraph, summarize the main points of this article.

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2. What is aerobic exercise? \_\_\_\_\_

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3. How is aerobic dancing different from aerobic exercise? \_\_\_\_\_

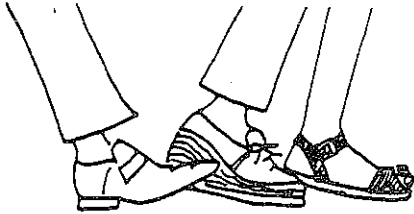
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4. Why should a beginner be cautious? \_\_\_\_\_

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# Walking: The Best Daily Exercise

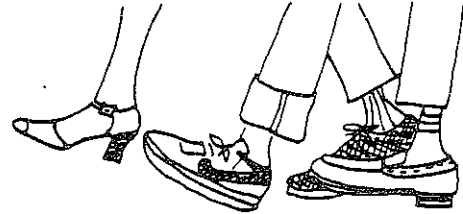
Walking is the best type of daily exercise. Why??



IT IS SAFE.

IT IS EASY.

IT IS CHEAP.



Walking is just about the easiest aerobic exercise. Walking improves the efficiency of your lungs and heart. As you become a more experienced walker, however, you need to pick up your pace and cover more distance to get the aerobic benefit.

But, not only is walking aerobic, it is also a good exercise for losing weight. One study shows that when several overweight women walked at least 30 minutes a day, they lost weight, even without dieting. And, they lost an average of 22 pounds in one year! In addition, walking improves blood circulation, improves muscle tone, and helps relieve stress.

When walking for exercise, walk faster than you would when strolling through the mall. Take long strides and swing your arms back and forth. Be consistent. Walk every day. With an average walking speed of three miles an hour, you'll burn between 235 and 350 calories per hour. The rate depends on your weight. The more you weigh, the more calories you burn. So . . . happy walking!

1. Write three rules for good walking.

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2. Why is walking considered the best type of exercise? \_\_\_\_\_

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3. What is the difference between walking and strolling? \_\_\_\_\_

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4. How many calories will you burn in a half-hour walking at the average rate?

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Name \_\_\_\_\_

## Everyone into The Pool

Swimming is one of the most popular sports in the world. Not only is swimming good exercise, it is also fun and cools off a warm body. Swimming provides the same conditioning as running or cycling, but the swimming has to be non-stop. Splashing around in the pool is *not* swimming.

To get fit fast you need to swim at least twice a week for 15 minutes each time. The workout has to be a good one. That is, you have to swim about 25 yards every minute. If your pool is 25 yards long, you would have to do 15 laps in 15 minutes!

However, you don't need to swim laps to get into shape in the water. You can get the benefits of swimming in other ways. Water aerobics has become very popular. In this sport, you do aerobic exercises in the water. The water provides resistance and increases the benefits of your workout. The water also protects you from injury.



Another good water exercise is kickboard swimming. The kickboard holds up your upper body. You move yourself through the water by holding the board in front of you and kicking.

So it really doesn't matter if you use a kickboard, swim laps, or do water aerobics. A pool is a good place to get into shape!

1. Write the three major ideas in this article.

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2. What is the fastest way to get fit in a pool?

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3. What are water aerobics?

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4. If you want to keep fit, but you have back problems, which exercise would be better - swimming or running? Why?

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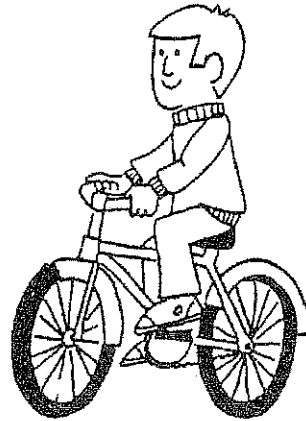
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## Pedal Power

See America! Enjoy the scenery of the woods, the deserts, the mountains, and the seashore. See it on a bike! Bicycling is, with good reason, one of the most popular sports in America. You can ride a bike at almost any age and benefit from the exercise.

If you haven't ridden your bike in awhile, begin slowly. Ride about 30 minutes, three days a week. Practice shifting gears. Don't push your pedals in a gear that is too high. Cycling should be relaxing. As you build your strength, you can ride faster and longer. It is a good idea to *alternate* your longer rides with shorter ones.

Ride your bike to school. Make it a habit to use your bike to do errands. Buy a little bag or basket for carrying things. Don't forget to buy a lock. You don't want your bike stolen!



If you are planning to buy a new bike, there are several kinds from which to choose. There are three-speed and ten-speed bikes, fat-tire mountain bikes, and touring bikes. Choose the bike that is best for you.

1. In one paragraph, summarize the main points in this article.

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2. Why is bicycling an interesting sport? \_\_\_\_\_

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3. How can a bicycle be used other than in an exercise routine?

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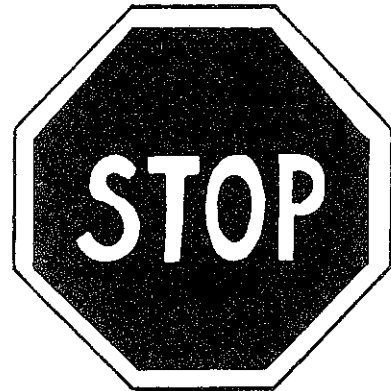
4. What do you think a stationary bike might measure?

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Name \_\_\_\_\_

# Bicycle Rules of the Road

1. **CROSS INTERSECTIONS WITH CARE.** If traffic is heavy, walk your bike across. Most bike accidents happen at intersections.
  2. **BEWARE OF PARKED CARS.** A door might suddenly open, forcing you into traffic. A car might pull out into traffic right in front of you.
  3. **OBEY TRAFFIC LAWS.** Signals, lights, and signs are for bike riders as well as drivers of cars.
  4. **KEEP TO THE RIGHT.** Ride single file and always ride with the traffic.
  5. **BE PREDICTABLE.** Signal in advance to turn or stop. Then use both hands to control your bike.
  6. **YIELD TO CARS.** Remember, a car is faster, bigger, and heavier than a bike. If a bike runs into a car, the bike loses.
  7. **DON'T SHOW OFF.** Don't do tricks in traffic. Don't race or weave. Concentrate on the road.
  8. **THINK AHEAD.** Anticipate others' mistakes. Leave room for defensive action.
  9. **AVOID HEAVY TRAFFIC.** Use bike paths whenever possible. Keep off high-speed highways.
  10. **WATCH FOR PEDESTRIANS.** Give pedestrians the right of way. Warn them with a bell or a few words if you are going to pass them on a path or sidewalk.
1. Combine these rules into a paragraph on bicycle safety.



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2. Which three rules do you think are most important?

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3. Why must you think ahead while riding a bike? \_\_\_\_\_

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4. Why should you always yield to a car even if you are right? \_\_\_\_\_



# CHAPTER 2

# Economic Systems and Decision Making

## Economics & You

In Chapter 2, you will learn how economic systems differ and what makes up the major characteristics of the United States market system. To learn more about how economic systems operate, view the Chapter 3 video lesson:

*Economic Systems and the American Economy*

A wide range of choices is characteristic of a market economy.

**ECONOMICS**  
*Online*



Chapter Overview Visit the *Economics: Principles and Practices* Web site at [app.glencoe.com](http://app.glencoe.com) and click on *Chapter 2—Chapter Overviews* to preview chapter information.

# Economic Systems

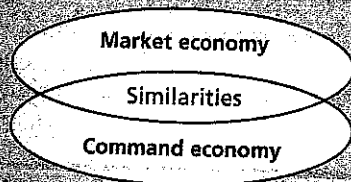
## Study Guide

### Main Idea

An economic system is a set of rules that governs what goods and services to produce, how to produce them, and for whom they are produced.

### Reading Strategy

**Graphic Organizer:** As you read the section, complete a graphic organizer like the one below to identify ways in which a market economy differs from, and is similar to, a command economy.



### Key Terms

economy, economic system, traditional economy, command economy, market economy

### Objectives

After studying this section, you will be able to

1. **Describe** the characteristics of the traditional, command, and market economies.
2. **Explain** the advantages and disadvantages of the traditional, command, and market economies.

### Applying Economic Concepts

**Tradition:** Tradition plays a stabilizing role in our lives. Even the U.S. economy, characterized by freedom and competition, has some elements of tradition.

## Cover Story



Bombay, India

### McDonald's in India


The Golden Arches finally have arrived in India, but if you get a Big Mac Attack, you're still out of luck. To welcome to this predominately Hindu nation, where cows are sacred and most people don't eat beef, McDonald's Corp. ditched the Big Mac for an Indian version, the Maharaja Mac. That's two all-mutton patties, special sauce, lettuce, cheese, pickles and onions, all on a sesame seed bun.

—The Wall Street Journal, October 14, 1996

**T**he survival of any society depends on its ability to provide food, clothing, and shelter for its people. Because these societies face scarcity, decisions concerning **WHAT**, **HOW**, and **FOR WHOM** to produce must be made.

All societies have something else in common. They have an **economy**, or **economic system**—an organized way of providing for the wants and needs of their people. The way in which these provisions are made determines the type of economic system they have. Three major kinds of economic systems exist—traditional, command, and market. Most countries in the world can be identified with one of these systems.

## Traditional Economies

 Many of our actions spring from habit and custom. Why, for example, do so many Americans eat turkey on Thanksgiving? Why does the bride toss the bouquet at a wedding? Why do most people shake hands when they meet, or leave tips in restaurants? These practices have generally been handed down from one generation to the next and have become tradition—they are a part of American culture.

In a society with a **traditional economy**, the allocation of scarce resources, and nearly all other economic activity, stems from ritual, habit, or custom. Habit and custom also dictate most social behavior. Individuals are not free to make decisions based on what they want or would like to have. Instead, their roles are defined by the customs of their elders and ancestors.

### Examples

Many societies—such as the central African Mbuti, the Australian Aborigines, and other indigenous peoples around the world—are examples of traditional economies. The Inuits of northern Canada in the 1800s provide an especially interesting case of a traditional economy.

For generations, Inuit parents taught their children how to survive in a harsh climate, make tools, fish, and hunt. Their children, in turn,



**Way of Life** This woman uses the methods for weaving passed on by her ancestors. **What drives economic activity in a traditional economy?**

## ECONOMICS Online



**Student Web Activity** Visit the *Economics: Principles and Practices* Web site at [app.glencoe.com](http://app.glencoe.com) and click on **Chapter 2—Student Web Activities** for an activity on the role of tradition in Inuit society.

taught these skills to the next generation. The Inuit hunted, and it was traditional to share the spoils of the hunt with other families. If a walrus or bear was taken, hunters divided the kill evenly into as many portions as there were heads of families in the hunting party. The hunter most responsible for the kill had first choice, the second hunter to help with the kill chose next, and so on.

Later, members of the hunting party shared their portions with other families, because the Inuit shared freely and generously with one another. The hunter had the honor of the kill and the respect of the village, rather than a physical claim to the entire kill. Because of this tradition of sharing, and as long as skilled hunters lived in the community, a village could survive the long harsh winters. This custom was partially responsible for the Inuit's survival for thousands of years.

### Advantages

The main strength of a traditional economy is that everyone knows which role to play. Little uncertainty exists over **WHAT** to produce. If you are born into a family of hunters, you hunt. If you are born into a family of farmers, you farm. Likewise, little uncertainty exists over **HOW** to produce, because you do everything the same way your parents did.

Finally, the **FOR WHOM** question is determined by the customs and traditions of the society. Tradition dictates how people live their lives.

### Disadvantages

The main drawback of the traditional economy is that it tends to discourage new ideas and new ways of doing things. The strict roles in a traditional society have the effect of punishing people

## TEACHING CAPITALISM IN RUSSIA

In Nadeshda Shilyayeva's first-grade class, the words of the day are "profit" and "inventory." As the kindly teacher bounces her pointer along the curly blackboard script, her 26 students at School 139 sing the syllables in unison.

"Now what do we call the money left over in Misha's wallet after all his expenses are paid?" asked Miss Shilyayeva. "Profit!" shouted a pig-tailed 7-year-old girl named Dasha. The teacher continued, "And why does Misha need this profit?"

Silence. Then a small voice ventured, "So he can"—a pause—"expand his store?"

"Excellent, Andrushka!" boomed the teacher's voice.

Ten years ago, this kind of aggressive attempt to plant a seed of capitalism in her young students would have landed Miss Shilyayeva in the *gulag* [Soviet labor camp]. Today she is among a growing number of elementary school teachers in Russia who have seen the future and know that in order to survive, her students will need to be able to compute interest rates.

"If we don't teach children about the market economy from an early age," said Miss Shilyayeva, 57, "they will end up like us. The older generation knew nothing about economics. We never gave it a thought. As a result, we are like blind kittens, bumping into walls, looking for a way out."

—The New York Times, Feb. 9, 1997

### Critical Thinking

- Analyzing Information** What topics are the first graders studying?
- Finding the Main Idea** Why does the teacher believe it is important for her students to learn about the market economy?

who act differently or break rules. The lack of progress leads to a lower standard of living than in other types of economic societies.

## Command Economies

Other societies have a **command economy**, one in which a central authority makes most of the WHAT, HOW, and FOR WHOM decisions. Economic decisions are made by the government: the people have little, if any, influence over how the basic economic questions are answered.

### Examples

There are few command economies in the world today, but they still can be found in North Korea and Cuba. Until recently, the People's Republic of China, the communist bloc countries of Eastern Europe, and the former Soviet Union also had command economies.

In the former Soviet Union, for example, the government made the major economic decisions. The State Planning Commission directed nearly every

aspect of the Soviet economy. It determined needs, decided goals, and set production quotas for major industries. If the State Planning Commission wanted growth in heavy manufacturing, it shifted resources from consumer goods to that sector. If it wanted to strengthen national defense, it directed resources to the production of military equipment and supplies.

### Advantages

The main strength of a command system is that it can change direction drastically in a relatively short time. The former Soviet Union went from a rural (or primitive) agricultural society to a leading industrial nation in just a few decades. It did so by emphasizing heavy industry and industrial growth rather than the production of consumer goods.

During this period, the central planning agency shifted resources around on a massive scale. Consumer goods were virtually ignored, and when the country faced a shortage of male workers on construction projects, the government put women to work with picks and shovels.

Another advantage of command economies, especially those represented by the former Soviet Union and modern-day Cuba, is that many health and public services are available to everyone at little or no cost, regardless of income. While the quality of these services varies widely, it can be argued that access to some services is better than none.

### Disadvantages

One disadvantage of a command system is that it is not designed to meet the wants of consumers, even though many basic needs are provided. In the case of Soviet industrial development, generations were forced to do without such consumer goods as cars, home appliances, and adequate housing. People often were told to sacrifice for the good of the state and the benefit of future generations.

A second disadvantage is that the system does not give people the incentive to work hard. In most command economies, workers with different skills and responsibilities receive similar wages. In addition, people seldom lose their jobs, regardless of the quality of their work. As a result, many people work just hard enough to fill the production quotas set by planners.

This can have unexpected results. At one time in the former Soviet Union, central planners set production quotas for electrical motors to be measured in tons of output per year. Workers soon discovered that the easiest way to fill the quota was to add weight to the motors. As a result, Soviet workers made some of the heaviest electrical motors in the world. They also produced some of the heaviest chandeliers in the world for the same reason. Some were so heavy that they fell from ceilings.


A third weakness is that the command economy requires a large decision-making bureaucracy. Many clerks, planners, and other administrators are needed to operate the system. Most decisions cannot be made until after consulting a number of people and processing a large amount of paperwork. These procedures slow decision making and raise the costs of production.

Yet a fourth weakness of a command economy is that it does not have the flexibility to deal with minor, day-to-day problems. Even when some

discourages even the smallest adjustments. As a result, command economies tend to lurch from one crisis to the next—or collapse completely as in the case of the former Soviet Union.

Finally, people with new or unique ideas find it difficult to get ahead in a command economy. Rewards for individual initiative are rare. Each person is expected to perform a job in a factory, in the bureaucracy, or on a farm, according to the economic decisions made by central planners.

### Market Economies

 In a **market economy**, people and firms act in their own best interests to answer the WHAT, HOW, and FOR WHOM questions. In economic terms, a market is an arrangement that allows buyers and sellers to come together in order to exchange goods and services. A market might be in a specific location, such as a farmers' market or a flea market. A list of phone numbers for lawn-mowing services posted on a local bulletin board also acts as a market. As long as a mechanism exists for buyers and sellers to get together, a market can exist.

In a market economy, people's decisions act as votes. When consumers buy a particular product, they are casting their dollar "votes" for that product. After the "votes" are counted, producers know what people want. Because producers are always looking for goods and services that consumers will buy, the consumer plays a key role in determining WHAT to produce.

### Examples

Many of the largest and most prosperous economies in the world, such as the United States, Canada, Japan, South Korea, Singapore, Germany, France, Great Britain, and other parts of Western Europe, are based on the concept of a market economy. While there are also many significant differences among these countries, the common thread of the market binds them together.

### Advantages

One advantage of a market economy is that over time, it can adjust to change. During the gas line shortage of the 1970s, for example, consumer



reduced their demand for large, gas-guzzling automobiles and increased their demand for smaller, fuel-efficient ones. Because auto makers still wanted to sell cars, they moved resources from the production of large cars to small ones.

When gas prices finally declined in the mid-1980s, the trend slowly began to reverse. Consumers wanted to buy large cars again, so auto makers began making large, although more fuel-efficient, vehicles again. Changes in a market economy, then, tend to be gradual. Unlike the traditional economy, change is neither prohibited nor discouraged. Unlike the command economy, change is neither delayed because of bureaucracy, nor suddenly forced on people by others.

A second major strength of the market economy is its high degree of individual freedom. Producers may make whatever they think will sell. They also decide the HOW question by producing their products in the most efficient manner. Consumers,

on the other hand, spend their money on the goods and services they prefer. Meanwhile, individuals are free to choose where and when they want to work, and if they should invest further in their own education and training.

A third strength is the relatively small degree of government interference. Except for certain important concerns, such as national defense and environmental protection, the government tries to stay out of the way so that buyers and sellers can go about their business. As long as competition exists, the market economy tends to take care of itself.

A fourth advantage is that decision making is decentralized, or not concentrated in the hands of a few. Literally billions—if not trillions—of individual economic decisions are made daily. Collectively, these decisions direct scarce resources into uses that consumers favor. Because individuals make these decisions, everyone has a voice in the way the economy runs.

### Command Economy



**Economic Choices** Consumers line up to buy scarce goods at a marketplace in the western Ukraine. In a command economy, like the former Soviet Union, many products are unavailable or in short supply, while other overproduced goods sit in warehouses. **Who is responsible for making the basic economic decisions in a command economy?**

A fifth strength of the market economy is the incredible variety of goods and services available to consumers. Almost any product can and will be produced if a buyer for it exists. Recent products include everything from Internet bookstores to 24-hour cable television cartoon and comedy networks to ultrasound devices that keep the neighbor's dog out of your yard. In short, if a product can be imagined, it can be produced in hopes that people are willing to buy it.

A sixth strength is the high degree of consumer satisfaction. In a market economy, almost everyone can satisfy his or her wants because the choice one group makes does not mean that another group cannot have what it wants. To illustrate, if 51 percent of the people want blue shirts, and 49 percent want white ones, people in both groups can still get what they want. Unlike an election, the minority does not have to live with choices the majority makes.

### Comparing Economic Systems

|               | Traditional   | Command   | Market   |
|---------------|---|---|--|
| Advantages    | <ul style="list-style-type: none"> <li>• Sets forth certain economic roles for all members of the community</li> <li>• Stable, predictable, and continuous life</li> </ul>            | <ul style="list-style-type: none"> <li>• Capable of dramatic change in a short time</li> <li>• Many basic education, public health, and other public services available at little or no cost</li> </ul>   | <ul style="list-style-type: none"> <li>• Able to adjust to change gradually</li> <li>• Individual freedom for everyone</li> <li>• Lack of government interference</li> <li>• Decentralized decision making</li> <li>• Incredible variety of goods and services</li> <li>• High degree of consumer satisfaction</li> </ul>  |
| Disadvantages | <ul style="list-style-type: none"> <li>• Discourages new ideas and new ways of doing things</li> <li>• Stagnation and lack of progress</li> <li>• Lower standard of living</li> </ul> | <ul style="list-style-type: none"> <li>• Does not meet wants and needs of consumers</li> <li>• Lacks effective incentives to get people to work</li> <li>• Requires large bureaucracy, which consumes resources</li> <li>• Has little flexibility to deal with small, day-to-day changes</li> <li>• New and different ideas discouraged, no room for individuality</li> </ul> | <ul style="list-style-type: none"> <li>• Rewards only productive resources; does not provide for people too young, too old, or too sick to work</li> <li>• Workers and businesses face uncertainty as a result of competition and change</li> <li>• Does not produce enough public goods such as defense, universal education, or health care</li> <li>• Must guard against market failures</li> </ul> |

**Using Charts** Every society has an economic system. The type of system that is best for a society depends on the ability of that system to satisfy people's wants and needs, and to fulfill its economic goals. What conditions must be met for a market economy to be effective?

## Disadvantages

One of the disadvantages of the market economy is that it does not provide for the basic needs of everyone in the society—some members of the society may be too young, too old, or too sick to care for themselves. These people would have difficulty surviving in a pure market economy without assistance from government or private groups.

Another disadvantage of a market economy is that it does not provide enough of the services that people value highly. For example, private markets cannot adequately supply a system of justice, national defense, universal education, or comprehensive health care. This is because private producers concentrate on providing products they can sell. Therefore, government must provide these services, paid for with tax dollars.

A third disadvantage of a market economy is the relatively high degree of uncertainty that workers and businesses face as the result of change. Workers, for example, worry that their company will move to another city or country in order to lower the cost of production. Employers worry that another company will produce a better and less expensive product, thereby taking their customers.

Finally, market economies can fail if three conditions are not met. First, markets must be reasonably

competitive, allowing producers to compete with one another to offer the best value for the price. Second, resources must be reasonably free to move from one activity to another. Workers, for example, need the freedom to change jobs if they have a better opportunity elsewhere. Producers need the freedom to produce goods and services in the best way they know how. Third, consumers need access to adequate information so that they can weigh the alternatives and make wise choices.

When markets fail, some businesses become too powerful and some individuals receive incomes much larger than that justified by their productivity. Because of this, we often have to rely on government to ensure that sufficient competition, freedom of resource movement, and adequate information exist.



**Worth Its Weight** Many currencies get their names from words meaning "weight" because merchants in ancient times would weigh coins made from precious metals to assess their value. Among these currencies are the Spanish *peseta*, the Mexican *peso*, and the Italian *lira*.

## Section 1 Assessment

### Checking for Understanding

- 1. Main Idea** Using your notes from the graphic organizer activity on page 33, explain how a market economy determines who will receive the benefits from what is produced and sold.
- 2. Key Terms** Define economy, economic system, traditional economy, command economy, market economy.
- 3. Describe** the characteristics of a traditional economy.
- 4. Identify** the advantages and disadvantages of a command economy.
- 5. Identify** the advantages and disadvantages of a market economy.

### Applying Economic Concepts

- 6. Tradition** Give an example of an economic activity from a traditional economy that is seen in today's market economy. Describe how important this activity is for the economy.

### Critical Thinking

- 7. Analyzing Information** How are roles defined in a traditional economy?
- 8. Making Comparisons** How are the WHAT, HOW, and FOR WHOM questions answered in the command and market economies?



Practice and assess key social studies skills with the *Glencoe Skillbuilder Interactive Workbook, Level 2*.



# CRITICAL THINKING

## Skill

### Making Comparisons

When you make comparisons, you determine similarities and differences among ideas, objects, or events. Making comparisons is an important skill because it helps you choose among alternatives.

#### Learning the Skill

Follow these steps to make comparisons:

- Identify or decide what will be compared.
- Determine the common area or areas in which comparisons can be drawn.
- Look for similarities and differences within these areas.

#### Practicing the Skill

Read the passages below, then answer the questions that follow.

##### Viewpoint A

*Russians are readily embracing the middle-class lifestyle of Western democracies. Nothing better symbolizes the changes sweeping this nation than the flea market that has taken over Moscow's Exhibition of Economic Achievements park. Built as a shrine to the Soviet system, it is now the center of free enterprise in the city. Muscovites swarm here to get deals on all sorts of goods. A park pavilion once housed an exhibit celebrating the Soviet space program. It has now become an auto showroom. A few space capsules remain, scattered among the used cars. But the crowds are here to see the new Fords and Jeeps.*

##### Viewpoint B

*Besides the inefficiency of many Russian factories, capitalism there is not yet the same as it is in the United States. Private capital apparently is steered into projects controlled by small groups in power. There is a strong criminal organization in Russia that imposes serious costs on anybody wishing to do business.*

*"The West supports Russia, despite the corruption there, because of the former Soviet state's economic and military stature on the world stage," said a World Bank spokesperson. "The reason we need to help is that the whole of the former Soviet Union represents not only an economic threat or economic opportunity, but politically it does have a somewhat different weight than some other countries because of its defense and offensive capabilities."*

*The spokesperson also noted, "I don't doubt that there has been corrupt practice . . . but the overall question of global stability is also an issue."*

1. What is the topic of these passages?
2. How are the passages similar? Different?
3. What conclusions can you draw about the opinions of the writers?



Statue of farm workers at the Exhibition of Economic Achievement

#### Application Activity

Survey your classmates about an issue in the new Summarize the opinions and write a paragraph comparing the different opinions.

Practice and assess key social studies skills with the

# Evaluating Economic Performance

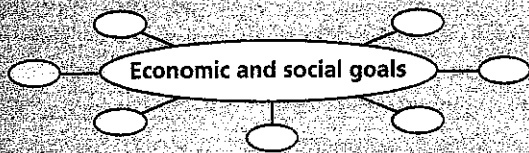
## Study Guide

### Main Idea

The social and economic goals of the United States include economic freedom, economic security, and economic equity.

### Reading Strategy

**Graphic Organizer** As you read the section, identify seven major economic and social goals by completing a graphic organizer like the one below.



### Key Terms

Social Security, inflation, fixed income

### Objectives

After studying this section, you will be able to:

1. **Describe** the basic economic and social goals used to evaluate economic performance.
2. **Evaluate** the trade-offs among economic and social goals.

### Applying Economic Concepts

**Freedom and Equity** Read to find out how freedom and equity are related to the level of satisfaction people have with their economic system.

## Cover Story

### Minimum Wage Revisited on the Hill

It happens every seven years or so, the last time in 1997. So look for a hike in the minimum wage before too long. Sen. Tom Daschle, D-S.D., the Senate's new majority leader, has already said it's a Democratic priority. He wants to raise the rate \$1.50 over a year and a half, to \$6.65 an hour. He's likely to get it, too, even if now may not be the best time....



Minimum-wage workers might get a raise.

Critics say hiking the minimum wage cuts down on the number of new jobs employers can add. It may also force employers to cut back on the hours workers work.

- *Investor's Business Daily*, June 6, 2001

Every economic system has goals such as financial security and freedom to carry out economic choices. Goals are important because they serve as benchmarks that help us determine if the system meets most—if not all—of our needs. If the system falls short, then we may demand laws to change the system until the needs are met.

## Economic and Social Goals

In the United States, people share many broad social and economic goals. While it might be difficult to find them listed in any one place, they are repeated many times in the statements that friends, relatives, community leaders, and elected officials make. We can categorize those statements into seven major economic and social goals.

### Economic Freedom

In the United States, people place a high value on the freedom to make their own economic decisions. People like to choose their

## Economic and Social Goals



**Economic Equity** Our nation values the ideal of equal pay for equal work. *What legislation safeguards economic equity?*

own occupations, employers, and uses for their money. Business owners like the freedom to choose where and how they produce. The belief in economic freedom, like political freedom, is one of the cornerstones of American society.

### Economic Efficiency

Most people recognize that resources are scarce and that factors of production must be used wisely. If resources are wasted, fewer goods and services can be produced and fewer wants and needs can be satisfied. Economic decision making must be efficient so that benefits gained are greater than costs incurred.

### Economic Equity

Americans have a strong sense of justice, impartiality, and fairness. Many people, for example, believe in equal pay for equal work. As a result, it is illegal to discriminate on the basis of age, sex, race, religion, or disability in employment. When it comes to selling products, most people feel that advertisers should not be allowed to make false claims about their products. Many states even have "lemon laws" that allow new car buyers to return their cars if they have too many repairs.

### Economic Security

Americans desire protection from such adverse economic events as layoffs and illnesses. States have set up funds to help workers who lose their jobs. Many employers have insurance plans to cover the injuries and illnesses of their workers. On the national level, Congress has set up **Social Security**—a federal program of disability and retirement benefits that covers most working people.

More than 90 percent of American workers participate in the Social Security system. Retirees, survivors, disabled persons, and medicare recipients are eligible for benefits. Survivors are spouses and children of deceased persons covered by Social Security. Medicare provides health insurance for persons 65 or older.

### Full Employment

When people work, they earn income for themselves while they produce goods and services for others. If people do not have jobs, however, they cannot support themselves or their families, nor can they produce output for others. As a result, people want their economic system to provide as many jobs as possible.

## STANDARD & POOR'S INFOBYTE

**Economic Indicators** Economic indicators are economic statistics reflecting the general direction of the economy. Some indicators are termed *leading indicators* because they tend to lead or forecast the direction of the economy or business cycle; the stock market is known as a leading indicator. Another important indicator is the U.S. Department of Labor's quarterly Employment Cost Index, which measures the rate of change in employee compensation. Like the average hourly earnings data, it allows economists to keep a beat on wage inflation, which is often seen as a catalyst to overall inflation.

## Price Stability

Another goal is to have stable prices. If **inflation**—a rise in the general level of prices—occurs, workers need more money to pay for food, clothing, and shelter. People who live on a **fixed income**—an income that does not increase even though prices go up—find that bills are harder to pay and that planning for the future is more difficult. High rates of inflation can discourage business activity. When there is inflation, interest rates tend to increase. High interest rates discourage businesses both from borrowing and spending. Price stability makes budgeting easier and adds a degree of certainty to the future.

## Economic Growth

The last major goal of most Americans is economic growth. Most people hope to have a better job, a newer car, better clothes, their own home, and a number of other things in the future. Growth is needed so that people can have more goods and services. Because the nation's population is likely to grow, economic growth is necessary to meet everyone's needs.

## Future Goals

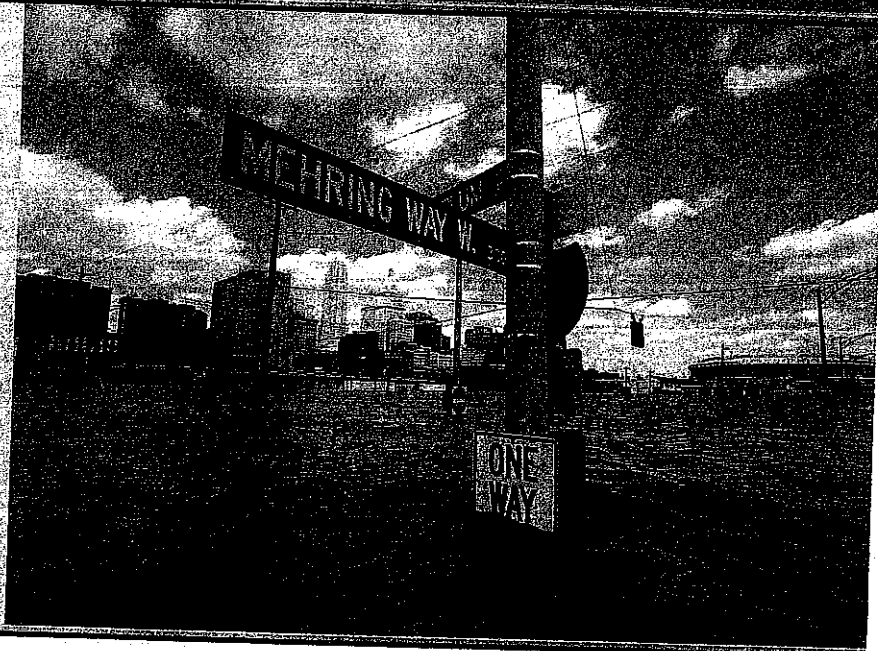
These goals are ones on which most people seem to agree. As our society evolves, however, it is entirely possible that new goals will be added. Do people feel that a cleaner environment is important enough to be added to the list of goals? Should we add the preservation of an endangered species, such as the timber wolf and the wild tiger, to the list? In the end, Americans must decide on the goals important to them.

Other countries and their leaders and citizens must also make important choices regarding their goals. For example, an economic goal for many developing nations from the 1950s through the mid-1970s was to increase the goods and services they produced. The idea was that big gains in production would "trickle down" to the poorest people.

By the mid-1990s, many developing nations had achieved regular increases in their production. Living conditions for the poor in most countries, however, did not improve much. Today, basic human needs have become a focus of development policies. These needs include food, shelter, health, protection, and the freedom to make choices about one's life.

## Economic and Social Goals

**Economic Security** One aspect of economic security is protecting people against the economic loss of natural disasters. *What federal program protects economic security for working people?*






## CYBERNOMICS SPOTLIGHT

### Job Outlook

The freedom to make our own economic decisions—including choosing our occupations and where to work—is a cherished right for many people. Information available on the World Wide Web can provide help with making those decisions. One useful online source is the Occupational Outlook Handbook from the U.S. Bureau of Labor Statistics. It provides job descriptions, earnings, job outlooks, and educational requirements about hundreds of occupations—from “able seamen” to “zoologists.”

## Trade-Offs Among Goals

 People sometimes have different ideas about how to reach a goal. At other times, the goals themselves might conflict with one another because even economic policies have opportunity costs. For example, a policy that keeps foreign-made shoes out of the United States could help the goal of full employment in the local shoe industry. This policy might work against individual freedom, however, if people ended up with fewer choices of shoes to buy. Or, a new shopping center built near

a highway may stimulate economic growth in an area of a community. At the same time, it could threaten the stability and security of merchants who run stores in the downtown area.

Even an increase in the minimum wage involves a conflict of goals. On one hand, supporters of an increase might argue that an increase is the ethical, or “right,” thing to do. Opponents might argue that increasing the minimum wage would do more harm than good. A higher minimum wage increases costs of production for firms that pay this wage. In addition, it restricts the freedom of employers to pay wages that they think are fair.

So, how are trade-offs among goals resolved? In the case of the minimum wage, people compare their estimates of the costs against their estimates of benefits—and then exercise their right to vote for political candidates that support their position. If the majority of people feel that it is too low, then it will be raised. The minimum wage then tends to stay at a higher level for a while until the majority of people feel that it again needs changed.

For the most part, people, businesses, and government usually are able to resolve conflicts among goals. Fortunately, the economic system in the United States is flexible enough to allow choices, accommodate compromises, and still satisfy the majority of Americans most of the time.

## Section 2 Assessment

### Checking for Understanding

- 1. Main Idea** Using your notes from the graphic organizer activity on page 41, explain why it is important to set economic goals.
- 2. Key Terms** Define Social Security, inflation, fixed income.
- 3. Describe** the seven major goals of the United States economy.
- 4. Explain** how an increase in the minimum wage might involve a conflict of goals.
- 5. Describe** some of the economic choices people and producers in the United States are free to make.

### Applying Economic Concepts

- 6. Freedom and Equity** How do laws against false advertising promote the goal of economic equity?

### Critical Thinking

- 7. Analyzing Information** Why is economic growth an important goal?
- 8. Making Generalizations** What characteristics does the United States economy have that allow it to resolve conflicts among goals?



Practice and assess key social studies skills with the *Glencoe Skillbuilder Interactive Workbook*.

# BusinessWeek

## Newsclip

*The Internet provides millions with quick access to information. There are trade-offs, however. One is privacy. Powerful database technologies have made it possible to quickly gather personal information on millions of Americans who cruise the Web.*

### The Internet and the Right of Privacy

Like all new technologies, the Internet is creating undreamed-of conflicts. Case in point: The very nature of the Web makes it easy to collect and collate information about people who shop at or even simply visit a Web site, without their knowledge. Indeed, using such information is an important part of the business model of many Net companies.

But Net companies are discovering that consumers also care about their privacy. Examples of a growing concern are [evident] everywhere. GeoCities had to settle with the Federal Trade Commission when it sold personal data collected from children without parents' consent. Microsoft Corp. was red-faced and apologetic when it was discovered that the Windows 98 operating system could be used to create a giant database of information about Microsoft customers. Perhaps most notable was the response to Intel Corp.'s plans to ship its new Pentium III microprocessor with a component that would

number whenever the user visits a Web site. The idea of consumers unknowingly leaving behind an ID number when on-line set off howls of protest, and Intel promised to ship the Pentium III with the identifier in the "off" position.

What's happening is that people are worried that their essential democratic right to privacy is being surreptitiously eroded. The idea of the Net building "dossiers" without customers' knowledge conjures up images of secret files, police states, and the loss of freedom. That will create a backlash that can only injure Internet commerce. . . .

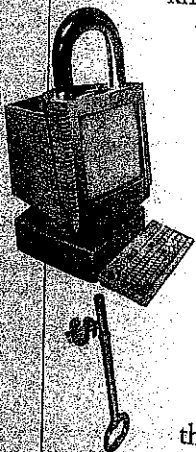
Equally germane is a truism of the Information Age: Information is a hugely valuable good in its own right. From that perspective, Net companies have been appropriating information that rightfully does not belong to them. It is akin to stealing for Net companies to gather, use, and resell information on consumers without asking permission.

Net companies have to realize that individuals have the right of first refusal on the information of their lives. For companies to use it, they have to say "please" and exchange something for the information. The Net marketplace has made progress in posting privacy policies on Web sites and curbing intrusions. But time is running out for companies to agree on rules of the game to protect privacy before the backlash does permanent damage to the future of E-commerce.

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#### Examining the Newsclip

- 1. Analyzing Information** What issue is the article addressing?
- 2. Drawing Conclusions** What solution to protecting the right of privacy does the article present? In your opinion is this a good solution, or should others be suggested?



# Capitalism and Economic Freedom

## Study Guide

### Main Idea

Under capitalism, the basic economic decisions are made through the free interaction of individuals looking out for their own best interests.

### Reading Strategy

**Graphic Organizer** As you read the section, complete a graphic organizer like the one below to identify the five characteristics of a free enterprise economy. Then provide an example of each.

| Characteristic | Example |
|----------------|---------|
|                |         |

### Key Terms

capitalism, free enterprise, voluntary exchange, private property rights, profit, profit motive, competition, consumer sovereignty, mixed economy, modified private enterprise economy.

### Objectives

After studying this section, you will be able to:

1. **Explore** the characteristics of a free enterprise system.
2. **Describe** the role of the entrepreneur, the consumer, and government in a free enterprise economy.

### Applying Economic Concepts

**Voluntary Exchange** Read to find out why voluntary exchange is one of the most popular features of a market economy.

## Cover Story

### Madame C.J. Walker

Madame C.J. Walker—Sarah Breedlove—was a highly successful entrepreneur, widely considered to be the first African-American millionairess. Walker was known and respected not only for her business acumen but for her inspirational political and social advocacy and her philanthropy.




Madame C.J. Walker

The daughter of former slaves, Walker worked initially as a washerwoman until she devised a hair care and grooming system to meet the needs of African-American women in 1905. Supervising the manufacture of a variety of products, she also developed an enormous marketing network, headquartered in Indianapolis, that employed thousands of African-American women and was the largest African-American owned business in the nation. Walker encouraged women's independence by training others and by serving as a powerful role model.

—National Women's Hall of Fame, ©1998

A market economy is normally based on a system of **capitalism**, where private citizens, many of whom are entrepreneurs, own the factors of production. **Free enterprise** is another term used to describe the American economy. In a free enterprise economy, competition is allowed to flourish with a minimum of government interference.

## Competition and Free Enterprise

 A free enterprise economy has five important characteristics—economic freedom, voluntary exchange, private property rights, the profit motive, and competition.

### Economic Freedom

Individuals as well as businesses enjoy economic freedom, the first characteristic of capitalism. People, for example, have the freedom to choose their occupation and their employer. To a lesser extent, they can choose to work where and when they want. They may work on the west coast, east coast, or in Alaska. They may work days, nights, indoors, outdoors, in offices, or in their homes.

With economic freedom, people can choose to have their own business or to work for someone else. They can apply for jobs, and they have the right to accept or reject employment if offered. Economic freedom also means that people can leave jobs and move on to others that offer greater opportunity.

Businesses also enjoy economic freedom. They are free to hire the best workers, and they have the freedom to produce the goods and services they feel will be the most profitable. Businesses can make as many or as few goods and services as they want, and they can sell them wherever they please. They have the right to charge whatever price they feel is profitable, and they are free to risk success or failure.

### Voluntary Exchange

A second characteristic of capitalism is **voluntary exchange**—the act of buyers and sellers freely and willingly engaging in market transactions. Moreover, transactions are made in such a way that both the buyer and the seller are better off after the exchange than before it occurred. Buyers, for example, can do many things with their money. They

can deposit it in the bank, hide it under a mattress, or exchange it for goods or services. If they spend their money on a product, they must believe that the item being purchased is of greater value to them than the money they gave up.

With voluntary exchange, sellers also have many opportunities to sell their products. If they exchange their goods and services for cash, they must feel that the money received is more valuable than the product being sold, or they would not sell in the first place. In the end, the transaction benefits both buyer and seller or it would not have taken place. Both the buyer and the seller obtained something they believed had more value than the money or products they gave up.

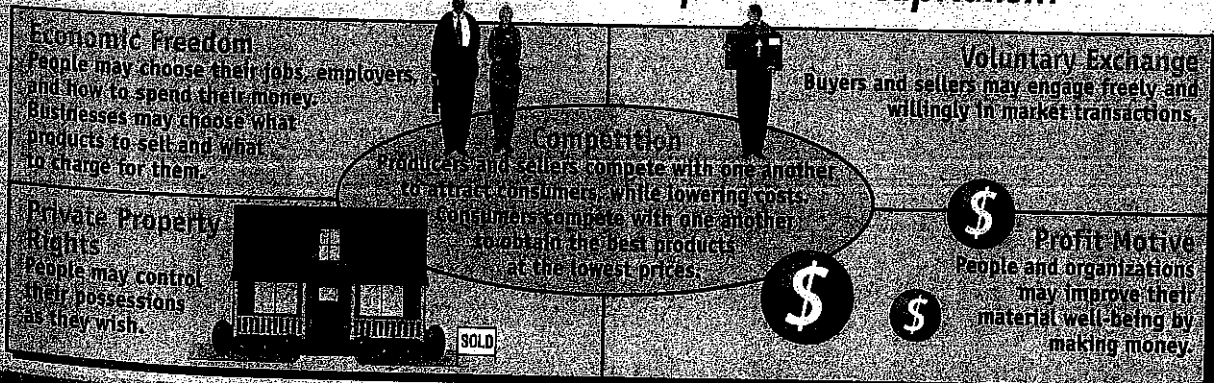
### Private Property Rights

Another major feature of capitalism is the concept of **private property rights**, the privilege that entitles people to own and control their possessions as they wish. Private property includes both tangible items such as houses and cars, and intangible items such as skills and talents. People are free to make decisions about their property and their own abilities.

## ECONOMICS AT A GLANCE

Figure 2.2

### Characteristics of Free Enterprise and Capitalism



**Using Charts** The terms "free enterprise" and "capitalism" describe a market system in which the factors of production are owned by private citizens, and businesses are allowed to compete for profits with minimal governmental interference. What items are included under the category of private property?



## Free Enterprise



**Economic Freedom** The freedom to own a business is a hallmark of free enterprise. *What other characteristics does a free enterprise economy have?*

They have the right to use or abuse their property as long as they do not interfere with the rights of others.

Private property gives people the incentive to work, save, and invest. When people are free to do as they wish with their property, they are not afraid to use, accumulate, or lend it. Private property gives people the incentive to be successful; they know that if they succeed they will be able to keep any rewards they might earn.

### Profit Motive

Under free enterprise and capitalism, people are free to risk their savings or any part of their wealth in a business venture. If the venture goes well for them, they will earn rewards for their efforts. If things go poorly, they could lose part or all of their investment. The very possibility of financial gain, however, encourages many people to become *entrepreneurs*, or those who risk entering business in hopes of earning a profit.

What, however, is profit? Consider the earlier case of voluntary exchange. Remember that the buyer gives up money to obtain a product, and the seller gives up the product to obtain money. Unless both parties believe they will be better off afterward than before, neither will make the exchange. When exchange takes place, it does so only because both parties feel they will make a profit.


**Profit**, then, is the extent to which persons or organizations are better off at the end of a period than they were at the beginning. The **profit motive**—the driving force that encourages people and organizations to improve their material well-being—is largely responsible for the growth of a free enterprise system based on capitalism.

### Competition

Finally, capitalism thrives on **competition**—the struggle among sellers to attract consumers while lowering costs. Competition is possible because private individuals, acting as entrepreneurs, own the factors of production and have the freedom to produce the products they think will be the most profitable.

Because capitalism is based on freedom and voluntary exchange, buyers compete to find the best products at the lowest prices. The result is that goods and services are produced at the lowest cost and are allocated to those who are willing and able to pay for them.

### The Role of the Entrepreneur

 The entrepreneur is one of the most important people in the economy. The entrepreneur organizes and manages land, capital, and labor in order to seek the reward called profit.

Entrepreneurs are the ones who start up new businesses such as restaurants, automobile repair shops, Internet stores, and video arcades. They include people who may have worked for others at one time, but have decided to quit and start their own businesses. Entrepreneurs want to “be their own boss” and are willing to risk everything to make their dreams come true.

Many entrepreneurs fail. Of course, others survive and manage to stay in business with varying degrees of success. A few, and only a very few, manage to become fantastically wealthy and famous.


Well-known entrepreneurs include Bill Gates, who founded Microsoft, John Johnson of Johnson Publishing Co., and Mary Kay Ash, who founded Mary Kay Cosmetics.

Despite the high rate of failure among entrepreneurs, the dream of success is often too great to resist. The entrepreneur is both the sparkplug and the catalyst of the free enterprise economy. When an entrepreneur is successful, everybody benefits. The entrepreneur is rewarded with profits, a growing business, and the satisfaction of a job well done. Workers are rewarded with more and better-paying jobs. Consumers are rewarded with new and better products. The government is rewarded with a higher level of economic activity and larger tax receipts. These receipts can be used to build roads, schools, and libraries for people not even connected with the original entrepreneur.

Nor does it stop there. Successful entrepreneurs attract other firms to the industry who rush in to "grab a share" of the profits. To remain competitive

and stay in business, the original entrepreneur may have to improve the quality or cut prices, which means that customers can buy more for less. In the end, the entrepreneur's search for profits can lead to a chain of events that involves new products, greater competition, more production, higher quality, and lower prices for consumers.

## The Role of the Consumer

 In the United States, consumers often are thought of as having power in the economy because they determine which products are ultimately produced. For example, a company may try to sell a certain item to the public. If consumers like the product, it will sell and the producer will be rewarded for his or her efforts. If consumers reject the product and refuse to purchase it, the firm may

### The Role of the Entrepreneur



**Building a Business** John Johnson started his publishing business in 1942 with a \$500 loan on his mother's furniture. Today, Johnson Publishing is the world's largest African American-owned publishing company. **What aspects of the economy benefit when an entrepreneur succeeds?**

## Careers

### Law Enforcement Officer

Law enforcement work can range from keeping order in public places and investigating crimes to controlling traffic and lecturing the public on safety.

#### The Work

Every level of government needs law enforcement officers. In small communities, officers may be called on to do many tasks. In larger cities, work may be highly specialized, including chemical and firearms analysis, fingerprint identification, and harbor and border patrol. The challenges of the work are numerous. Working long hours, risking injury, and taking the chances involved in pursuing and apprehending law-breakers demands dedication to the job.

#### Qualifications

Most law enforcement jobs are covered by civil service regulations. Usually candidates must be at least 21 years old and must be U.S. citizens. Most jobs require a high school education or more. The more specialized jobs require college training.





**Consumer Sovereignty** The principle of consumer sovereignty says that in a competitive economy, customers determine what is produced by choosing what they will buy. *Why do firms have to sell products customers want in order to earn a profit?*

go out of business. **Consumer sovereignty** describes the role of the consumer as sovereign, or ruler, of the market. More commonly, this is expressed in a different way by saying that “the customer is always right.”


In recent years, producers have had outstanding successes with various products, including home video games, sport utility vehicles, and personal computers. Many other products—including “New” Coke, celery flavored Jell-O, chewable toothpaste in tablet form, and bacon you cook in your toaster—were promptly rejected by consumers.

Consumers’ wants change constantly as modern communications and travel expose people to new ideas and products. Today, Americans purchase more home computers every year than TV sets.

even though computers were barely known just 20 years ago. Consumers buy products from all over the world, and more and more often they use the Internet to find product reviews and other information about the goods before they purchase.

Consumers, then, play an important role in the American free enterprise economy. They have a say in what is—and what is not—produced when they express their wants in the form of purchases in the marketplace. The dollars they spend are the “votes” used to select the most popular products.

## The Role of Government

 Government—whether national, state, or local—has an economic role to play that reflects the desires, goals, and aspirations of its citizens. Government has become involved in the economy because Americans want its involvement. Consequently, it has become a protector, provider of goods and services, consumer, regulator, and promoter of national goals. The role of government is normally justified whenever its benefits outweigh its costs.

### Protector

As protector, the United States government enforces laws such as those against false and misleading advertising, unsafe food and drugs, environmental hazards, and unsafe automobiles. It also enforces laws against abuses of individual freedoms. Employers, for example, cannot discriminate against workers because of their age, gender, race, or religion. In short, the government protects property rights, enforces contracts, and generally tries to make sure that everyone follows the “rules of the game” to ensure an efficient and fair economy.

### Provider and Consumer

All levels of government provide goods and services for citizens. The national government, for example, supplies defense services. State governments provide education and public welfare. Local governments provide, among other things, parks.

In the process of providing, government consumes factors of production just like any other form of business. In recent years the government has grown so large that it is now the second largest consuming unit in the economy, trailing only the consumer sector.

## Regulator

In its role as a regulator, the national government is charged with preserving competition in the marketplace. It also oversees interstate commerce, communications, and even entire industries such as banking and nuclear power. Many state governments regulate insurance rates and automobile registrations. Local governments even regulate business activity with building and zoning permits.

The regulatory role of government is often controversial. Most businesses do not like to be told how to run their affairs, and they argue that consumers can always sue in court if there are problems. On the other hand, many consumers feel that they do not always know when they are at risk—as in the case of potential food poisoning from unsafe food preparation practices. As a result,

consumers usually think that the government is in a better position to monitor and regulate such activities.

## Promoter of National Goals

Government reflects the will of a majority of its people. As a result, many government functions reflect people's desire to modify the economic system to achieve the economic goals of freedom, efficiency, equity, security, full employment, price stability, and economic growth. A government program such as Social Security, as well as laws dealing with child labor and the minimum wage, reveal how Americans have modified their free enterprise economy.

Because of these modifications, and because there are some elements of tradition in our economy, the United States is said to have a **mixed economy**, or a **modified private enterprise economy**. In a mixed economy people carry on their economic affairs freely, but are subject to some government intervention and regulation. This system most likely will undergo further change as the goals and objectives of the American people change.

## Section 3 Assessment

### Checking for Understanding

1. **Main Idea** Using your notes from the graphic organizer on page 46, explain how basic economic decisions are made under capitalism.
2. **Key Terms** Define capitalism, free enterprise, voluntary exchange, private property rights, profit, profit motive, competition, consumer sovereignty, mixed economy, modified private enterprise economy.
3. **List** the five major characteristics of a free enterprise system.
4. **Describe** the role of the entrepreneur.
5. **Analyze** the consequences of consumer economic decisions in a free enterprise economy.

6. **Identify** the role of the government in a free enterprise economy.

### Applying Economic Concepts

7. **Voluntary Exchange** Cite at least three examples of voluntary exchanges you made this week. How are you better off by having made the exchanges? Did the person with whom you exchanged gain too? How?

### Critical Thinking

8. **Understanding Cause and Effect** Americans have varying economic goals. How have these often-competing goals modified our free enterprise economy?



Practice and assess key social studies skills with the *Glencoe Skillbuilder Interactive Workbook, Level 2*.



# Profiles IN Economics



## More Than Star Wars: George Lucas

(1944-)

"The crossroad in my career," filmmaker giant George Lucas recalls, "happened very early on. I was in an automobile accident. Before that I wasn't really a very good student. I wasn't really focused in my life. I came through an automobile accident that I should never have survived. And, in the process of that, I realized that there must be some purpose for me to be here and I'd better figure out what it is. . . . That really motivated me in a very direct way which sent me off, ultimately, searching for the things I loved and winding up in the film business."

George Lucas did more than just "wind up" in the film business: he conquered it. Lucas, as a writer, director, producer, and film business owner, has had a hand in more than half of the top 20 box office hits of all time. His credits

include many of the world's best-known films, including the *Indiana Jones* series, and, his most famous work, the *Star Wars* series.

Lucas has won many awards, the most prestigious of which is the Irving G. Thalberg Award, given by the Academy of Motion Pictures. Lucas seems, indeed, to have found his purpose.

## A Household Name: Walt Disney

(1901-1966)

The name Disney is known around the world. Yet as a young man, Walt Disney was a failed filmmaker operating out of a makeshift studio in a garage in Los Angeles. Disney had moved there from Kansas City, where he had helped create cartoon advertisements for showings in movie theaters. Dreaming of making full-scale movies, he headed to Los Angeles—then, as now, the film industry capital—to pursue his dream. For five years, he struggled to make ends meet. Then he released an animated film featuring a character that would soon become a household name: Mickey Mouse.

The year was 1928, and the film industry was about to explode: the ability to add sound to movies had just been developed; color movies would emerge in just a few years.

Disney and his workers made full use of . . . new technologies.

Today, Walt Disney Company is a business giant. With income from four motion-picture units (Walt Disney Pictures, Touchstone Pictures, Hollywood Pictures, and Miramax Films), television (Disney owns ABC), videocassettes, recordings, theme parks, resorts, publications, and merchandise based on Disney characters, "Disney" is practically an industry unto itself. This huge media presence has brought Disney characters to millions of people around the world. Walt Disney combined economic success with a cultural impact that few, if any, others have achieved.



### Examining the Profiles

1. **Making Comparisons** What similarities are there in the early lives of Lucas and Disney?
2. **Evaluating Information** Both Lucas and Disney have influenced millions of people through their films. Do you view this as something positive or something

## Chapter 2 Summary

### Section 1

#### Economic Systems (pages 33–39)

- Every society has an **economy** or **economic system**, a way of allocating goods and services to satisfy the WHAT, HOW, and FOR WHOM questions.
- In a **traditional economy**, the major economic decisions are made according to custom and habit. Life in these economies tends to be stable, predictable, and continuous.
- In a **command economy**, government makes the major economic decisions. Command economies can change direction drastically in a short time, focusing on whatever the government chooses to promote.
- Command economies tend to have little economic freedom and few consumer goods.
- A **market economy** features decentralized decision making with people and firms operating in their own self-interests.
- A market economy adjusts gradually to change, has a high degree of individual freedom and little government interference, is highly decentralized, and offers a wide variety of goods and services that help to satisfy consumers' wants and needs.

### Section 2

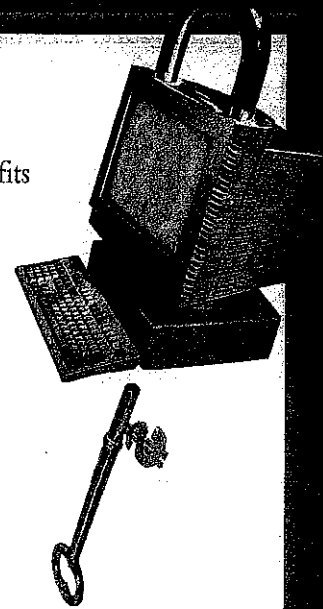
#### Evaluating Economic Performance

(pages 41–44)

- The social and economic goals of U.S. society include economic freedom, economic efficiency, economic equity, economic security, full employment, price stability, and economic growth.



- When goals conflict, society evaluates the costs and benefits of each in order to promote one goal over another; many election issues reflect these conflicts and choices.
- People's goals are likely to change in the future, as our economy evolves.



### Section 3

#### Capitalism and Economic Freedom (pages 46–51)

- **Capitalism** is a competitive economic system in which private citizens own the factors of production.
- The five characteristics of capitalism are **economic freedom, voluntary exchange, private property rights, profit motive, and competition.**
- The entrepreneur is the individual who organizes land, capital, and labor for production in hopes of earning a **profit**: the profit motive is the driving force in capitalism.
- In capitalism, firms are in business to make a profit. To do this they must offer products consumers want at competitive prices.
- **Consumer sovereignty** states that the consumer is the one who decides WHAT goods and services to produce.
- The national government plays the role of protector, provider and consumer, regulator, and promoter of economic goals.
- The United States has a **mixed economy**, or a **modified private enterprise economy**, in which its citizens carry on their economic affairs freely but are subject to some government intervention and regulation.