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Economics guided reading activity 5-3.

NAME _____ DATE _____ CLASS _____

Guided Reading

Activity 17-2

For use with textbook pages 427-431.

Climate and Vegetation

Fill In the Blanks

DIRECTIONS: Use the information in your textbook to fill in the blank in each sentence.

SECTION 17-2

1.

In parts of this region, water evaporation rates far exceed rainfall.

2.

North Africa is dominated by the Sahara, the largest desert in the world.

3.

Deserts cover about 50% of North Africa, Southwest Asia, and Central Asia.

4.

Northern parts of the Sahara and Arabian desert are generally cooler and drier than in southern parts.

5.

Relatively little of the Sahara is sand; much of it is a rocky gravel called "desert pavement."

6.

The southern quarter of the Arabian Peninsula is covered in sand.

7.

Desert vegetation includes acacia and drought-resistant shrubs.

8.

Small farms and villages may occur at a desert oasis, where there is water.

9.

The climate region called steppe extends from the northern Sahara to Kazakhstan.

10.

Bedouins live by pastoralism, or grazing their flocks on the grasslands.

11.

A Mediterranean climate occurs along the Tigris-Euphrates valley.

12.

Morocco's Mediterranean climate allows it to grow and export olives, grapes, and citrus fruits.

13.

Warm Mediterranean areas attract tourists, who vacation there in winter.

14.

A wet, cold highlands climate is found in the Caucasus Mountains.

15.

Coastal areas near mountain ranges receive abundant rainfall carried by warm winds off the sea.

16.

Climate changes have expanded the area covered by desert ~~rainforest~~.

22

In a variety of presentations, students are asked to list, outline, analyze, apply, and evaluate the information they have read. The Guided Reading Activities help students organize their learning and prepare them for the section quizzes and the chapter tests. Answers to the Guided Reading Activities can be found at the back of the booklet. All rights reserved. Permission is granted to reproduce the material contained herein on the condition that such material be reproduced only for classroom use; be provided to students, teachers, and families without charge; and be used solely in conjunction with Economics: Principles and Practices. Any other reproduction, for use or sale, is prohibited without written permission from the publisher. Send all inquiries to: Glencoe/McGraw-Hill 8787 Orion Place Columbus, OH ISBN Printed in the United States of America

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5 1-1 For use with textbook pages 5 10

S CARCITY AND THE SCIENCE OF ECONOMICS RECALLING THE FACTS

Directions: Use the information in your textbook to answer the questions. Use another sheet of paper if necessary.

1. What is the basic economic problem facing all societies? 2. How is need different from want? 3. What do the letters TINSTAAFL stand for, and what does the term mean to consumers? 4. What are the three basic questions societies have to answer about the way their resources are used? b. c. 5. List the factors of production and define each one. b. c. d. 6. What is production? 7.

What are the four key elements of the study of economics? Explain briefly why each one is important. b. b. c. c. d. d.

Guided Reading Activities 16 1-2 For use with textbook pages B

ASIC ECONOMIC CONCEPTS OUTLINING

Directions: Locate the following headings in your textbook. Then use the information under the headings to help you write each answer. Use another sheet of paper if necessary.

I. Goods, Services, and Consumers

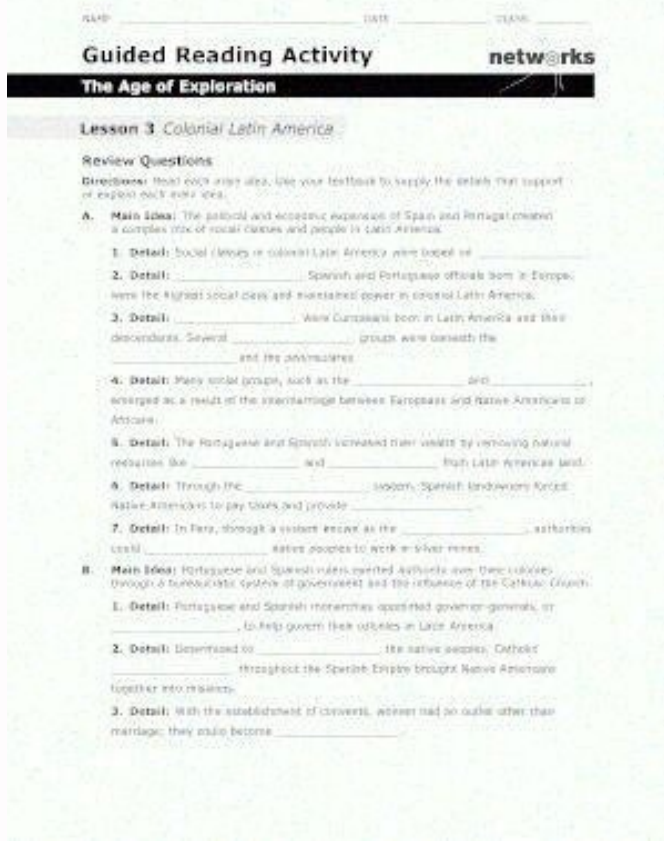
A. Introduction What is scarcity in an economic sense? B. Goods What is the difference between a consumer good and a capital good? B. C. Services What kind of economic product is a service? B. D. Consumers What is a consumer? II. Value, Utility, and Wealth

A. Introduction To what does value refer?

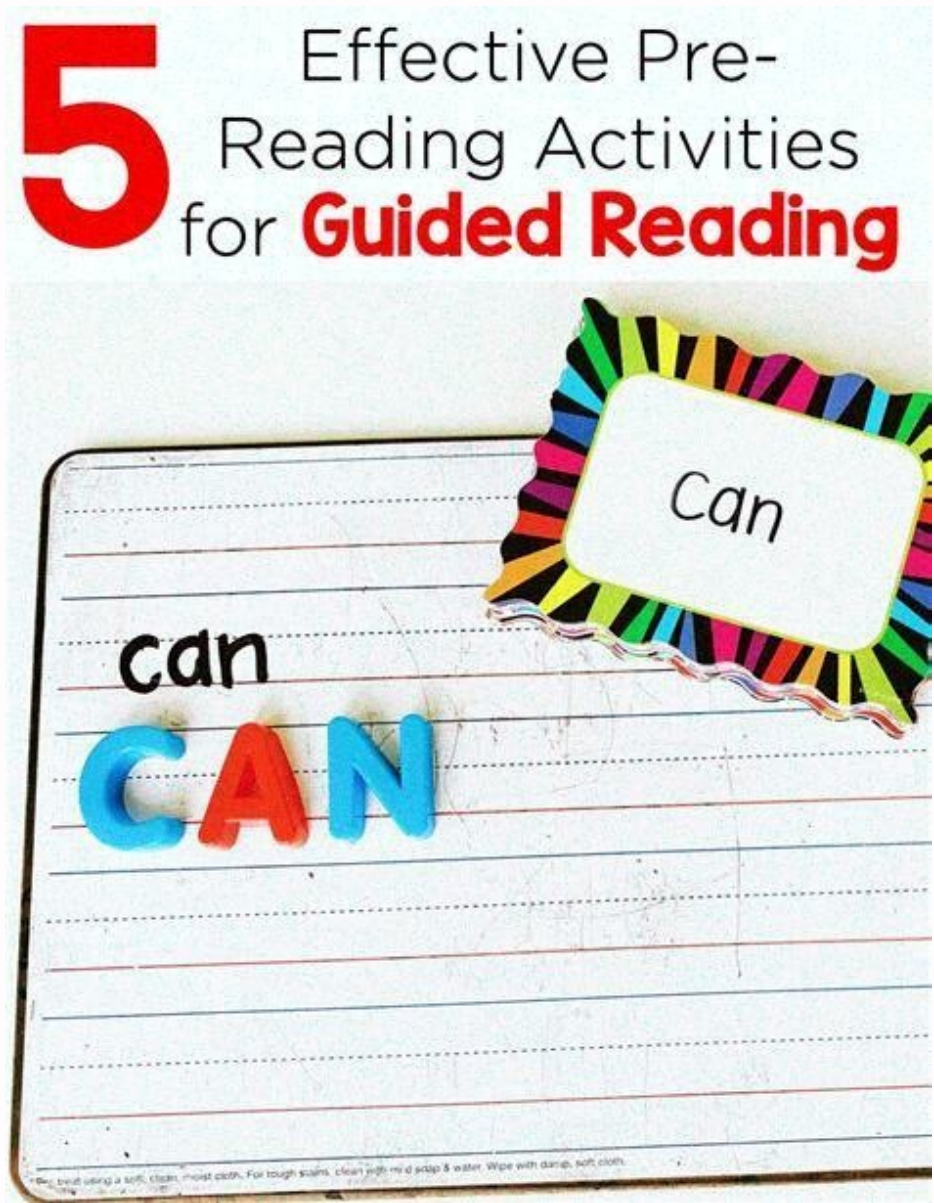
B. Paradox of Value What is the paradox of value? B. C. Utility What is required for something to have value? B. D. Wealth What is wealth? III. The Circular Flow of Economic Activity

IV. A. Introduction What is a key feature of circular flow? B. Factor Markets What is a factor market? C. Product Markets Where do individuals spend their income from the resources they sell? B. Productivity and Economic Growth

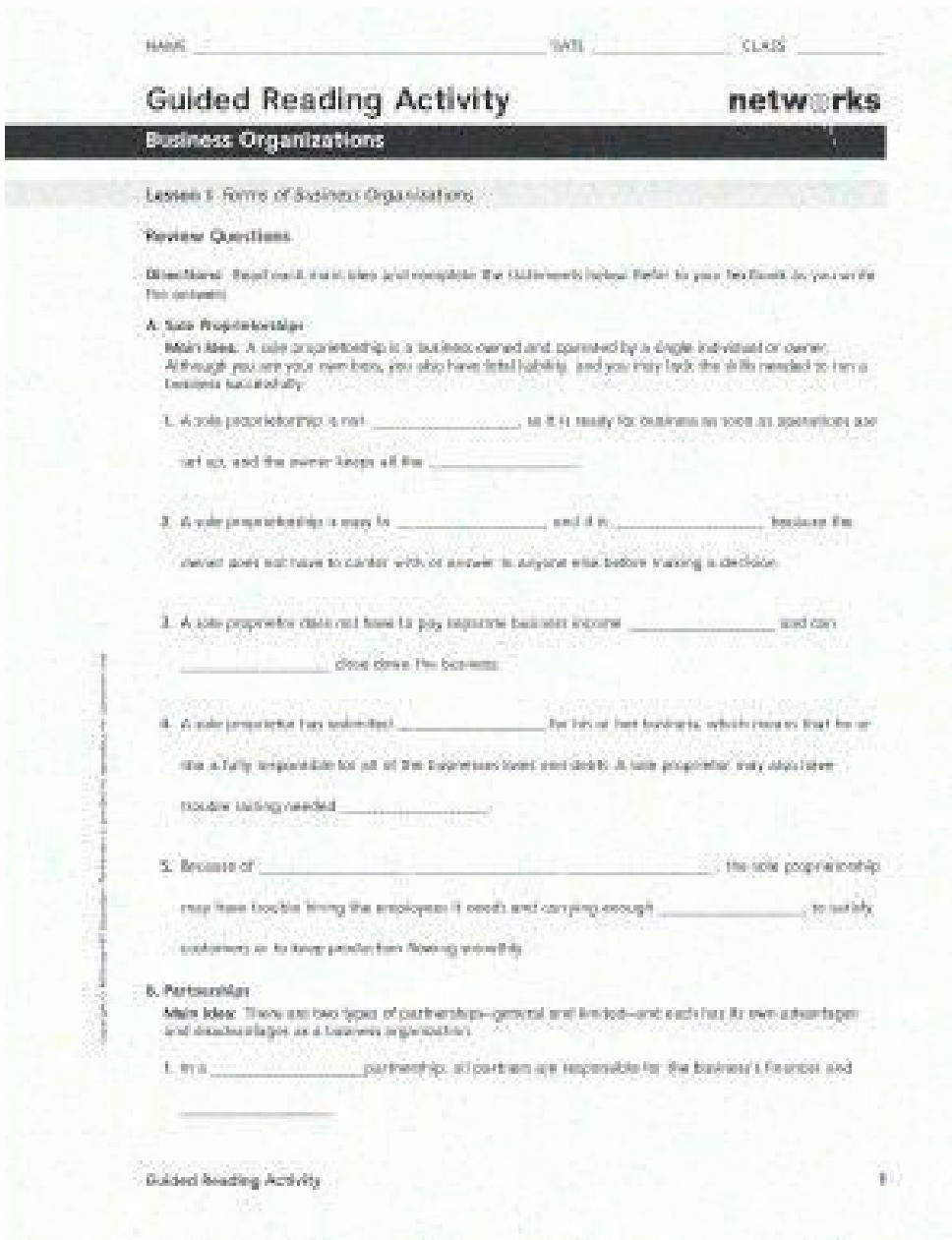
A. Productivity What is productivity? B. Division of Labor and Specialization How do division of labor and specialization affect productivity? C.



In a variety of presentations, students are asked to list, outline, analyze, apply, and evaluate the information they have read. The Guided Reading Activities help students organize their learning and prepare them for the section quizzes and the chapter tests. Answers to the Guided Reading Activities can be found at the back of the booklet. All rights reserved. Permission is granted to reproduce the material contained herein on the condition that such material be reproduced only for classroom use; be provided to students, teachers, and families without charge; and be used solely in conjunction with Economics: Principles and Practices. Any other reproduction, for use or sale, is prohibited without written permission from the publisher. Send all inquiries to: Glencoe/McGraw-Hill 8787 Orion Place Columbus, OH ISBN Printed in the United States of America3 C ONTENTS 1 What Is Economics? Section Section Section Economic Systems and Decision Making Section Section Section Business Organizations Section Section Section Demand Section Section Section Supply Section Section Section Prices and Decision Making Section Section Section Market Structures Section Section Section Employment, Labor, and Wages Section Section Section Sources of Government Revenue Section Section Section Government Spending Section Section Section Financial Markets Section Section Section Economic Performance Section Section Section Economic Instability Section Section Section Section The Fed and Monetary Policy Section Section Section Achieving Economic Stability Section Section Section International Trade Section Section Section Comparative Economic Systems Section Section Section Developing Countries Section Section Section Global Economic Challenges Section Section Section Answer Key5 1-1 For use with textbook pages 5 10 S CARCITY AND THE SCIENCE OF ECONOMICS RECALLING THE FACTS Directions: Use the information in your textbook to answer the questions. Use another sheet of paper if necessary. 1. What is the basic economic problem facing all societies? 2.



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Name

Class

Day

The Renaissance in Europe Guided Reading: Lesson 2

Guided Reading Activity

The Renaissance in Europe

Lesson 2 Ideas and Art of the Renaissance

Review Questions: Outlining

SECTION ONE: Read the lesson and complete the sentences below. Refer to your textbook for the blanks. (When answering online, separate multiple responses with a comma and one space.)

I. Italian Renaissance Humanism

1. _____ as an important intellectual movement of the Renaissance, was based on the study of the _____, which included the literature of ancient Greece and Rome.

2. _____ knows as the father of Italian Renaissance humanism, began the emphasis on using _____.

3. Some Italian writers, such as _____, author of the Divine Comedy, wrote in the _____, the local spoken language.

II. Renaissance Education

4. The increasingly _____ focus of education in the humanist movement led to a sort of system called _____.

5. Humanist educators believed that the purpose of education was to enable _____ citizens, and they stressed the importance of preparing the _____, as well as the mind by emphasizing physical education.

6. German printer _____ pioneered a new kind of printing that used _____.

7. The printing of books encouraged scholars _____ and helped stimulate the reading public's desire to acquire _____.

III. Italian Renaissance Art

8. Two major developments, an emphasis on the _____ side of painting and study of _____, helped Renaissance artists achieve the realistic portrayal of the individual.

9. Leonardo da Vinci, a Renaissance _____, was _____ taught to portray a human-centered world.

10. During the High Renaissance, master painters such as Raphael _____, and _____ captured the perfection of nature and of the individual in their art.

Practice Questions

Page 1

1 ECONOMICS: PRINCIPLES AND PRACTICES Guided Reading Activities2 TO THE TEACHER The Guided Reading Activities provide students with a foundation for study. They provide the groundwork that helps students identify and comprehend important information in the textbook chapters. The worksheets guide students to the key ideas and concepts they need to know to meet chapter objectives. One Guided Reading page is provided for every section of Economics: Principles and Practices. In a variety of presentations, students are asked to list, outline, analyze, apply, and evaluate the information they have read. The Guided Reading Activities help students organize their learning and prepare them for the section quizzes and the chapter tests. Answers to the Guided Reading Activities can be found at the back of the booklet. All rights reserved. Permission is granted to reproduce the material contained herein on the condition that such material be reproduced only for classroom use; be provided to students, teachers, and families without charge; and be used solely in conjunction with Economics: Principles and Practices. Any other reproduction, for use or sale, is prohibited without written permission from the publisher. Send all inquiries to: Glencoe/McGraw-Hill 8787 Orion Place Columbus, OH 43260-1586 Printed in the United States of America3 C ONTENTS 1 What Is Economics? Section Section Economic Systems and Decision Making Section Section Business Organizations Section Section Demand Section Section Supply Section Section Prices and Decision Making Section Section Market Structures Section Section Labor, and Wages Section Section Section Section Sources of Government Revenue Section Section Government Spending Section Section Section Section Section 4 Money and Banking Section Section Financial Markets Section Section Section Section Economic Performance Section Section Section Section Economic Instability Section Section Section Section The Fed and Monetary Policy Section Section Section Achieving Economic Stability Section Section Section International Trade Section Section Comparative Economic Systems Section Section Section Section Section Section Global Economic Challenges Section Section Section Answer Key5 1-1 For use with textbook pages 5 10 8 CARCITY AND THE SCIENCE OF ECONOMICS RECALLING THE FACTS Directions: Use the information in your textbook to answer the questions. Use another sheet of paper if necessary. 1. What is the basic economic problem facing all societies? 2. How is need different from want? 3. What do the letters TINSTAAFL stand for, and what does the term mean to consumers? 4. What are the three basic questions societies have to answer about the way their resources are used? b. c. 5. List the factors of production and define each one. b. c. d. 6. What is production? 7. What are the four key elements of the study of economics? Explain briefly why each one is important. b. b. c. c. d. d. Guided Reading Activities 16 1-2 For use with textbook pages B BASIC ECONOMIC CONCEPTS OUTLINING Directions: Locate the following headings in your textbook. Then use the information under the headings to help you write each answer. Use another sheet of paper if necessary. I. Goods, Services, and Consumers A. Introduction What is scarcity in an economic sense? B. Goods What is the difference between a consumer good and a capital good? B. C. Services What kind of economic product is a service? B. D. Consumers What is a consumer? II. Value, Utility, and Wealth A. Introduction To what does value refer? B. Paradox of Value What is the paradox of value? B. C. Utility What is required for something to have value? B. D. Wealth What is wealth? III. The Circular Flow of Economic Activity IV. A. Introduction What is a key feature of circular flow? B. Factor Markets What is a factor market? C. Product Markets Where do individuals spend their income from the resources they sell? B. Productivity and Economic Growth A. Productivity What is productivity? B. Division of Labor and Specialization How do division of labor and specialization affect productivity? C. Investing in Human Capital In what ways can government, businesses, and individuals invest in human capital? B. 2 Guided Reading Activities7 1-3 For use with textbook pages E CONOMIC CHOICES AND DECISION MAKING FILLING IN THE BLANKS Directions: Use your textbook to fill in the blanks using the words in the box. Some words may be used more than once. Use another sheet of paper if necessary. trade-offs cost-benefit analysis maximum combinations free enterprise economy standard of living decision-making grid production possibilities frontier opportunity cost fully employed Trade-Offs and Opportunity Cost Whenever people make economic decisions, they face 1, or alternative choices. Using a 2 allows consumers to consider various alternatives and decide which one comes closest to meeting their needs. 3 is more than the price tag on a good or service. It is the cost of the next best alternative use of money, time, or resources. Production Possibilities To illustrate the concept of 4, economists use a diagram representing various combinations of goods and/or services an economy can produce when all productive resources are 5. By showing the various alternatives, the 6 allows producers to decide how to allocate limited resources. The diagram indicates the 7 goods and/or services that can be produced. If, however, for various reasons some resources are not 8, the producer cannot reach its full production potential and the 9 of that failure is whatever is not produced. Economic growth occurs when more resources or increased productivity causes the 10 to move outward. Thinking Like an Economist Economists use various methods to help people make the best choices among the many wants that compete for the use of scarce resources. One is 11, a way of thinking about a problem that compares the costs of an action to the benefits received. This allows a business, for example, to choose investment projects that give the highest return per dollar spent. The Road Ahead The study of economics can provide a more detailed understanding of a 12, where consumers and privately owned businesses, rather than government, make the majority of economic decisions. It provides an understanding of a number of factors that have a bearing on our 13, which is the quality of life based on the possession of the necessities and luxuries that make life easier. Guided Reading Activities 38 2-1 For use with textbook pages F ECONOMIC SYSTEMS RECALLING THE FACTS Directions: Use the information in your textbook to answer the questions. Use another sheet of paper if necessary. 1. Define the term economic system. 2. Describe each type of economic system. Then briefly state its major advantages and disadvantages. Traditional economy Advantages: Disadvantages: b. Command economy Advantages: Disadvantages: c. Market economy Advantages: Disadvantages: 4 Guided Reading Activities9 2-2 For use with textbook pages E VALUATING ECONOMIC PERFORMANCE OUTLINING Directions: Locate the following headings in your textbook. Then use the information under the headings to help you write each answer. Use another sheet of paper if necessary. I. Economic and Social Goals A. Introduction 1. What are two kinds of goals people may share? 2. How many major kinds of goals are there? B. Economic Freedom 1. What are three examples of economic freedom for individuals? 2. What kind of economic freedom do business owners want? C. Economic Efficiency 1. What happens if resources are wasted? 2. Why must economic decision making be efficient? D. Economic Equity 1. What are two examples of economic equity? 2. What is a lemon law? E. Economic Security 1. What do American workers want protection from? 2. What kind of protection does Social Security offer? F. Full Employment 1. What happens when people work? 2. What happens when people do not have jobs? G. Price Stability 1. What is inflation? 2. What happens to people on fixed incomes when there is inflation? H. Economic Growth Why is economic growth needed as a population grows? II. Trade-Offs Among Goals A. What is the opportunity cost of a policy of protecting a domestic industry, such as shoe manufacturers? B. What is the trade-off in increasing the minimum wage? Guided Reading Activities 510 2-3 For use with textbook pages C CAPITALISM AND ECONOMIC FREEDOM FILLING IN THE BLANKS Directions: Use your textbook to fill in the blanks using the words in the box. Some words may be used more than once. Use another sheet of paper if necessary. economic freedom voluntary exchange free enterprise profit consumer sovereignty profit motive competition capitalism private property rights modified private enterprise economy mixed economy Introduction/Competition and Free Enterprise A market economy is normally based on 1, a system in which private citizens, many of whom are entrepreneurs, own the factors of production. Another term for it is 2, because it operates with a minimum of government interference. One characteristic of this kind of economy is 3, which allows people to choose to have their own businesses or work for someone else. Businesses are free to choose what they will produce and to hire the best workers. Another characteristic is 4, the act of buyers and sellers freely and willingly engaging in market transactions that leave both buyer and seller better off. Another major feature of the market economy is 5, the privilege that entitles people to own and control their possessions. The extent to which people or organizations are better off at the end of a period than they were at the beginning is 6. The 7 is the driving force that encourages people and organizations to improve their material well-being. Finally, 8 thrives on 9, which is the struggle among sellers to attract consumers while lowering costs. The Role of the Entrepreneur The entrepreneur's role is to start new businesses and take risks. They are the sparkplugs of a 10 economy. When entrepreneurs are successful, many benefit. The Role of the Consumer In the United States, consumers have power in the economy because they determine which products are produced. The term 11 is another way of saying that the customer is always right. Consumers vote with their dollars; that is, they have a say in what is and what is not produced. The Role of Government The government's involvement in the economy reflects people's desire to modify the economic system. The result is a 12, or 13, one in which people carry on their economic affairs freely but are subject to some government intervention and regulation. 6 Guided Reading Activities11 3-1 For use with textbook pages F FORMS OF BUSINESS ORGANIZATION RECALLING THE FACTS Directions: Use the information in your textbook to answer the questions. Use another sheet of paper if necessary. 1. What are the advantages and disadvantages of a sole proprietorship? Advantages: Disadvantages: 2. What is the difference between a general partnership and a limited partnership? 3. What is bankruptcy? 4. What are the advantages and disadvantages of a corporation? Advantages: Disadvantages: 5. Explain the connection between a bond, principal, and interest. Guided Reading Activities 712 3-2 For use with textbook pages B BUSINESS GROWTH AND EXPANSION OUTLINING Directions: Locate the following headings in your textbook. Then use the information under the headings to help you write each answer. Use another sheet of paper if necessary. I. Growth Through Reinvestment A. Estimating Cash Flows What does cash flow represent? B. Reinvesting Cash Flows 1. What can business owners do with cash flow to further help their businesses? 2. What can happen when cash flows are reinvested in the business? II. Growth Through Mergers A. Introduction 1. What happens when two firms merge? 2. What are five possible reasons for mergers? B. Types of Mergers What is the difference between a horizontal merger and a vertical merger? C. Conglomerates What is the main reason for a conglomerate to want diversification? D. Multinationals What are the advantages and disadvantages of multinationals? 8 Guided Reading Activities13 3-3 For use with textbook pages O THER ORGANIZATIONS FILLING IN THE BLANKS Directions: Use your textbook to fill in the blanks using the words in the box. Some words may be used more than once. Use another sheet of paper if necessary. public utilities professional association credit union consumer cooperative cooperative collective bargaining service cooperative labor union nonprofit organization(s) Introduction/Community and Civic Organizations In addition to businesses that use scarce resources to produce goods and services in hopes of earning a profit, there are 1 that operate to promote the collective interests of their members rather than to seek financial gain for their owners. Though legally incorporated, they do not issue stock, pay dividends, or pay income taxes, yet they are an important part of our economic system. Cooperatives One example of a nonprofit organization is a 2, which is a voluntary association of people formed to carry on some kind of economic activity that will benefit its members. The 3 is a voluntary association that buys bulk amounts of goods on behalf of its members. A 4 provides services rather than goods. One example is 5 that accepts deposits from, and makes loans to, employees from a particular company or agency. Labor, Professional, and Business Organizations Another important economic institution is the 6, an organization of workers formed to represent its members interests in employment matters. It participates in 7 when it negotiates with management over various job-related matters. Workers may also belong to a 8 a group of people in a specialized occupation that works to improve the working conditions, skill levels, and public perceptions of the profession. Government Government plays an indirect role in the economy when it regulates certain areas of it. One such case is the regulation of 9, where investor- or municipal-owned companies offer important products to the public, such as water or electric service. Guided Reading Activities 914 4-1 For use with textbook pages W HAT IS DEMAND? RECALLING THE FACTS Directions: Use the information in your textbook to answer the questions. Use another sheet of paper if necessary. 1. What three factors determine the demand for a product? 2. What is microeconomics? 3. What is the purpose of a demand schedule? 4. How is a demand curve similar to a demand schedule? How is it different? 5. What does the Law of Demand state? 6. What does the market demand curve show? 7. What is marginal utility? 8. How does the principle of diminishing marginal utility affect how much people are willing to pay? 10 Guided Reading Activities15 4-2 For use with textbook pages F ACTORS AFFECTING DEMAND OUTLINING Directions: Locate the following headings in your textbook. Then use the information under the headings to help you write each answer. Use another sheet of paper if necessary. I. Change in the Quantity Demanded A. Introduction What causes the movement along the demand curve that shows a change in the quantity of the product purchased? B. The Income Effect 1. What happens when prices drop? 2. How can an increase in price affect demand? C. The Substitution Effect What do consumers tend to do when similar products are available and one is more costly than the other? II. Change in Demand A. Introduction What is a change in demand? B. Consumer Income What happens if consumer income rises? C. Consumer Tastes What factors can affect consumer tastes? D. Substitutes What happens to the demand for a product if the price of its substitute goes up? E. Complements How does an increase in a product's price affect demand for the product's complement? F. Change in Expectations 1. What happens to the demand for a product if consumers think that a future product will be better? 2. What happens to the demand for a product if consumers think there will be a shortage in the future? G. Number of Consumers 1. What happens to the market demand curve if there is an increase in the number of consumers? 2. What happens to market demand whenever anyone leaves the market? Guided Reading Activities 1116 4-3 For use with textbook pages E LASTICITY OF DEMAND FILLING IN THE BLANKS Directions: Use your textbook to fill in the blanks using the words in the box. Some words may be used more than once. Use another sheet of paper if necessary. elastic demand elasticity inverse proportional inelastic unit elastic elasticity total expenditures Introduction/Demand Elasticity Consumers are sensitive to changes in prices. A change in price can affect quantity demanded. This cause-and-effect relationship in economics is known as 1. The extent to which a change in price causes a change in the quantity demanded is called 2. Demand is 3 when a change in price causes a relatively larger change in quantity demanded. Sometimes a lower or higher price does not create much change in demand. When the change in demand is relatively small, the demand is considered 4. When the demand is exactly between elastic and inelastic, the demand is called 5. Unit elastic demand causes a 6 change in quantity demanded. The Total Expenditures Test To estimate elasticity, one can look at the effect that a price change has on 7, which is the amount that consumers spend on a product at a particular price. Total expenditures are found by multiplying the price of a product by the quantity demanded. When the price goes down, total expenditures go up. This is called an 8 relationship. For inelastic demand, total expenditures decline when the price declines. For unit elastic demand, total expenditures remain unchanged when the price decreases. If the change in price and expenditures move in opposite directions, demand is 9. If they move in the same direction, demand is 10. If there is no change in expenditures, demand is 11. Determinants of Demand Elasticity Several factors determine whether a good is elastic or inelastic. When a consumer needs the product and the purchase cannot be put off, demand tends to be 12. If there are enough substitutes available, consumers can switch back and forth between products in order to get the best price. Demand is said to be 13. The fewer the substitutes, however, the more inelastic the demand. If the purchase uses a large portion of income, people are more sensitive to price changes and demand tends to be Guided Reading Activities17 5-1 For use with textbook pages W HAT IS SUPPLY? RECALLING THE FACTS Directions: Use the information in your textbook to answer the questions. Use another sheet of paper if necessary. 1. What does the Law of Supply state? 2. Explain how each of the following tools can help businesses make production decisions. Supply schedule: b. Supply curve: c. Market supply curve: 3. What does a change in quantity supplied respond to? 4. Why does the supply curve shift to the left? 5. Name the seven factors that determine whether supplies increase or decrease. b. c. d. e. f. g. 6. What is supply elasticity? 7. What characterizes an inelastic supply curve? 8. What changes does a unit elastic supply curve show? Guided Reading Activities 1318 5-2 For use with textbook pages T HE THEORY OF PRODUCTION OUTLINING Directions: Locate the following headings in your textbook. Then use the information under the headings to help you write each answer. Use another sheet of paper if necessary. I. Law of Variable Proportions A. What does the Law of Variable Proportions state? B. What happens when more than one factor of production is varied? II. The Production Function A. Introduction 1. What is a production function? 2. What are raw materials? B. Total Product 1. What happens to resources if there are too few workers? 2. What happens to output if there are too many workers? C. Marginal Product What is marginal product? III. Three Stages of Production A. Introduction 1. At what point are changes in marginal product of special interest? 2. What are the stages of production based on? B. STAGE I: Increasing Returns 1. What is the criterion for determining how long total output will rise? 2. When should companies stop hiring? C. STAGE II: Diminishing Returns 1. What happens to the rate of increase in total production during this stage? 2. What is the principle of diminishing returns? D. STAGE III: Negative Returns 1. What happens to marginal product during this stage? 2. What happens to total plant output during this stage? 3. What effect does this stage have on hiring? 14 Guided Reading Activities19 5-3 For use with textbook pages C COST, REVENUE, AND PROFIT MAXIMIZATION FILLING IN THE BLANKS Directions: Use your textbook to fill in the blanks using the words in the box. Some words may be used more than once. Use another sheet of paper if necessary. short-run marginal revenue variable costs total revenue e-commerce marginal analysis marginal revenues fixed costs Measures of Cost Cost is divided into several categories. The first is 1 the costs that a business incurs even if the plant is idle and there is zero output. The total of these unchanging costs, or 2, remains the same. On the other hand, expenses that change such as one associated with labor and raw materials are 3. The sum of these two costs is 4. Another category of cost is 5 the extra costs incurred when a business produces one additional unit of a product. Applying Cost Principles Business firms have a different mix of costs. A full-service gas station may have higher 6 than one that sells only gas, because it employs a variety of employees. An entrepreneur engaged in 7 electronic business or exchange conducted over the Internet is an example of a business with very low 8. Measures of Revenue Businesses use two key measures of revenue to find the amount of output that produces the greatest profit. 9 is the number of units sold multiplied by the average price per unit. Even more important are 10, which are the extra revenues associated with the production and sale of one additional unit of output. Marginal Analysis Economists use 11, a type of cost-benefit decision making tool that compares the extra benefits to the extra costs of an action. One issue facing a business is that of breaking even, or earning enough revenue to cover 12. Businesses want to know how to generate the maximum profit. They can do so by comparing 13 and 14. Guided Reading Activities 1520 6-1 For use with textbook pages P RICES AS SIGNALS RECALLING THE FACTS Directions: Use the information in your textbook to answer the questions. Use another sheet of paper if necessary. 1. What are the four reasons that prices in a market economy perform the allocation function so well? b. c. d. 2. What is rationing and when is it most likely to be used? 3. Describe the problems that rationing can lead to. b. c. 4. What is a rebate and how is it used? 16 Guided Reading Activities21 6-2 For use with textbook pages T HE PRICE SYSTEM AT WORK OUTLINING Directions: Locate the following headings in your textbook. Then use the information under the headings to help you write each answer. Use another sheet of paper if necessary. I. The Price Adjustment Process A. An Economic Model What are economic models used for? B. Market Equilibrium In what kind of market does market equilibrium operate? C. Surplus What can we assume about price based on the size of the surplus? D. Shortage What will happen to the price and quantity supplied in the next trading period as a result of a shortage? E. Equilibrium Price What tends to happen once the equilibrium price has been reached? II. Explaining and Predicting Prices A. Introduction What factors are important in predicting changes in price? B. Changes in Supply What is one of the main reasons for variations in agricultural supplies? C. Importance of Elasticity What is the effect of an inelastic demand coupled with a change in supply? D. Changes in Demand How does political instability affect the price of gold? III. The Competitive Price Theory A. What is the importance of the theory of competitive pricing? B. What is the great advantage of competitive markets? Guided Reading Activities 1722 6-3 For use with textbook pages S OCIAL GOALS VS. MARKET EFFICIENCY FILLING IN THE BLANKS Directions: Use your textbook to fill in the blanks using the words in the box. Some words may be used more than once. Use another sheet of paper if necessary. target price nonconcure loan price ceiling social goals loan supports price floor deficiency payment impersonal mechanisms equity and security Introduction/Distorting Market Outcomes In order to achieve the seven broad economic and 1, we may require policies that distort market outcomes. The goals of 2 usually require safety net policies to achieve them. These goals can be achieved only at the cost of interfering with the market. One of the common ways of achieving 3 involves setting prices at socially desirable levels. When this happens, prices are not allowed to adjust to their equilibrium. One type of control is the 4, a maximum legal price that can be charged for a product. Another is the 5, which is the lowest legal price that can be charged for a product. An example is the minimum wage. Agricultural Price Supports Two different efforts at supporting American farmers included the use of a 6, which is essentially a floor price for farm products. One form of price stabilization is 7. Under this 1930s program, farmers borrowed money from the Commodity Credit Corporation, an agency of the Department of Agriculture. They borrowed at the 8 and pledged their crops as security. Since such a loan had neither a penalty nor further obligation if not paid back, it was called a 9. This loan program's drawback was that the U.S. Department of Agriculture ended up owning enormous stockpiles of food. The next solution was to offer farmers a 10. In this situation farmers sold their crops on the open market for the best price they could get. Then the government sent them a check to make up the difference between the actual market price and the 11. Efforts to make agricultural output responsive to market forces have not lowered the overall cost of farm programs. When Markets Talk Markets are 12 that bring buyers and sellers together. They are said to talk when prices in them move up or down significantly in response to outside events, such as government policy changes. 18 Guided Reading Activities23 7-1 For use with textbook pages C COMPETITION AND MARKET STRUCTURES RECALLING THE FACTS Directions: Use the information in your textbook to answer the questions. Use another sheet of paper if necessary. 1. What is the role of government under Adam Smith's laissez-faire philosophy? 2. Define market structure. 3. What are the four different types of market structure? b. c. d. 4. What are the five major conditions that characterize perfectly competitive markets? Explain each condition briefly. b. b. c. c. d. d. e. e. 5. Name and describe the four different types of monopolies. b. b. c. d. Guided Reading Activities 1924 7-2 For use with textbook pages M ARKET FAILURES FILLING IN THE BLANKS Directions: Use your textbook to fill in the blanks using the words in the box. Some words may be used more than once. Use another sheet of paper if necessary. positive externality market failure negative externality artificial shortages unemployed public goods inadequate competition externality adequate information Introduction/Inadequate Competition Over time, mergers and acquisitions have had several consequences. One is inefficient resource allocation because 1 tends to curb the efficient use of scarce resources. Others are higher prices and reduced output, creating 2. 3 may also enable a business to influence politics by wielding its economic might. It may also happen on the demand side of the market when there are not sufficient buyers for very expensive products. Inadequate Information To allocate resources efficiently, consumers, businesspeople, and government officials must have 4 about market conditions. Some information is harder to find than other kinds, and that can lead to a 5. Resource Immobility A difficult problem in any economy is resource immobility, when land, capital, labor, and entrepreneurs do not move to markets in which the returns are the highest and sometimes remain 6. Externalities Many activities generate some kind of 7, or unintended side effect that either benefits or harms a third party not involved in the activity that caused it. A 8 is the unwanted harm, cost, or inconvenience suffered by a third party because of actions by others. A 9 is a benefit received by a third party who had nothing to do with the activity that generated the benefit. An 10 is classified as a 11 because its costs and benefits are not reflected in the market prices paid by the buyers and sellers of the original product. Public Goods Another form of 12 shows up in the need for 13, those products that are collectively consumed by everyone and whose use by one individual does not diminish the satisfaction or value received by others. They are usually provided by the government. 20 Guided Reading Activities25 7-3 For use with textbook pages T HE ROLE OF GOVERNMENT OUTLINING Directions: Locate the following headings in your textbook. Then use the information under the headings to help you write each answer. Use another sheet of paper if necessary. I. Antitrust Legislation A. What was the antitrust legislation of the late 1800s trying to restrict? A. B. What was the purpose of the Sherman Antitrust Act? B. C. Government Regulation A. Introduction Under what conditions are monopolies acceptable? B. Examples of Regulation What is one example of how local or state government allows and regulates a monopoly? III. Public Disclosure A. What is the purpose of public disclosure? B. What is the advantage to the public of truth-in-advertising laws? IV. Indirect Disclosure A. What kind of information regarding business and government is available on the Internet? V. Modified Free Enterprise A. What actions led to a modification of free enterprise? B. What characteristics make the United States economy a mixed free enterprise system? Guided Reading Activities 2126 8-1 For use with textbook pages T HE LABOR MOVEMENT RECALLING THE FACTS Directions: Use the information in your textbook to answer the questions. Use another sheet of paper if necessary. 1. What is macroeconomics? 2. Which workers are not counted as being part of the civilian labor force? 3. How do a trade union and an industrial union differ? 4. What actions could unions take if negotiations with industry employers failed? Explain each one. b. 5. What actions could employers take in their fight against unions? Explain each one. b. 6. How did the Clayton Antitrust Act help labor unions? 7. What did the National Labor Relations Act (NLRA) of 1935 do for unions? 8. What did the Fair Labor Standards Act of 1938 do for labor? 9. How did the Taft-Hartley Act of 1947 affect labor? 22 Guided Reading Activities27 8-2 For use with textbook pages R ESOLVING UNION AND MANAGEMENT DIFFERENCES OUTLINING Directions: Locate the following headings in your textbook. Then use the information under the headings to help you write each answer. Use another sheet of paper if necessary. I. Kinds of Union Arrangements A. Introduction What is the main purpose of organized labor? B. Closed Shops What effect did the Taft-Hartley Act have on the closed shop? C. Union Shops What is a union shop? D. Modified Union Shops What happens if workers voluntarily join the union? E. Agency Shops What effect does a contract negotiated by the union have on nonunion workers in an agency shop? II. Collective Bargaining A. Introduction What happens in collective bargaining? B. Mediation What is the goal of mediation? C. Arbitration What is the difference between arbitration and mediation? D. Fact-Finding What is fact-finding? E. Injunction and Seizure What is the purpose of a government seizure? F. Presidential Intervention What can the president of the United States do to end a labor dispute? Guided Reading Activities 2328 8-3 For use with textbook pages L ABOR AND WAGES FILLING IN THE BLANKS Directions: Use your textbook to fill in the blanks using the words in the box. Some words may be used more than once. Use another sheet of paper if necessary. labor mobility unskilled labor semiskilled labor equilibrium wage rate signaling theory wage rate theory of negotiated wages skilled labor professional labor traditional theory of wage determination cost Categories of Labor The four categories of labor are based on the general level of knowledge and skills needed to do a particular kind of job. Those who work primarily with their hands are in the category of 1. They usually earn some of the lowest wages. A higher category is 2 workers who have enough mechanical abilities and skills to operate machines that require a minimum amount of training. Workers who are able to operate complex equipment and perform their tasks with little supervision are called 3. Those individuals with the highest level of knowledge-based education and managerial skills are in the final category. 4. Noncompeting Labor Grades Workers in one category do not compete directly with those in another. The barriers to moving to a higher category are the 5 of training, lack

of opportunity, and lack of initiative. Wage Determination Most occupations have a 6 a standard amount of pay given for work performed. Three theories of wages explain differences from one occupation to the next and even within the same occupation. The 7 states that the supply and demand for a worker's skills and/or services determine the wage or salary. The higher the demand for a particular type of worker, the higher the wage; the lower the level of demand, the lower the wage. The 8 leaves neither a surplus nor a shortage in the labor market. According to the 9, organized labor's bargaining strength is a factor that helps determine wages. The third theory the 10 states that employers are usually willing to pay more for workers with signals of superior ability, such as advanced diplomas or degrees. Regional Wage Differences Wages for the same job can differ from one part of the country to another because of the scarcity of skilled workers in some parts and their abundance in others. Differences can be offset by 11, the ability and willingness of workers to relocate in markets where wages are higher. 24 Guided Reading Activities29 8-4 For use with textbook pages E MPLOYMENT TRENDS AND ISSUES RECALLING THE FACTS Directions: Use the information in your textbook to answer the questions. Use another sheet of paper if necessary. 1. In what way can the drop in union membership be attributed to the unions being the victims of their own success? 2. What is a giveback? 3. What is a two-tier wage system? 4. What is the glass ceiling and what groups does it mainly appear to affect? 5. What legal remedies does the Civil Rights Act of 1964 offer to workers suffering from wage and salary discrimination? 6. What is comparable worth? 7. What is a set-aside contract? 8. How does the use of part-time workers mean savings for employers? Guided Reading Activities 2530 9-1 For use with textbook pages T HE ECONOMICS OF TAXATION OUTLINING Directions: Locate the following headings in your textbook. Then use the information under the headings to help you write each answer. Use another sheet of paper if necessary. I. Economic Impact of Taxes A. Resource Allocation What can happen to the factors of production when prices go up as an end result of taxation? B. Behavior Adjustment What is a sin tax and what is it usually applied to? C. C. Productivity and Growth What effect might taxes have on productivity and economic growth? D. D. The Incidence of a Tax What situation must exist to make it easier for a producer to shift the incidence of a tax to the consumer? II. Criteria for Effective Taxes A. Equity What criteria is generally recognized as making taxes fairer? B. Simplicity What makes taxes more tolerable to many people? C. Efficiency What are two criteria for making a tax efficient? III. Two Principles of Taxation A. Benefit Principle What is the benefit principle of taxation? B. Ability-to-Pay Principle What two factors is the ability-to-pay principle based on? IV. Types of Taxes A. What three general types of taxes exist in the United States? A. B. What is a marginal tax rate? 26 Guided Reading Activities31 9-2 For use with textbook pages T HE FEDERAL TAX SYSTEM FILLING IN THE BLANKS Directions: Use your textbook to fill in the blanks using the words in the box. Some words may be used more than once. Use another sheet of paper if necessary. payroll withholding system Internal Revenue Service FICA indexing excise taxes estate tax user fees customs duty medicare individual income tax gift tax corporate income tax Introduction/Individual Income Taxes The most important sources of government revenue are the 1. Social Security tax, and 2, in that order. In most cases the individual income tax is paid over time through a 3, a system that requires an employer to automatically deduct income taxes from an employee's paycheck and send it directly to the government. The receiving agency is the 4. The average tax rate goes up when income does. Thus, workers who get a small raise to offset inflation may find themselves pushed into a higher tax bracket and be no better off than they were. To offset this, there is a provision for 5, an upward revision of the tax brackets to keep workers from paying more in taxes just because of inflation. FICA Taxes The second-most important federal tax is 6, the Federal Insurance Contributions Act tax levied on both employers and employees for Social Security and 7, the federal healthcare program available to all senior citizens regardless of income. Wealthy individuals pay the same percent of income for the 8 tax as do the poor. Corporate Income Taxes/Other Federal Taxes The 9 is the tax a corporation, as a separate legal entity, pays on its profits. The federal government also receives other revenues. One source is 10, the taxes on the manufacture or sale of selected items, such as gasoline, liquor, telephone services, tires, legal betting, and coal. Another kind of tax is 11, which is levied on the transfer of property when a person dies. Another is the 12 on donations of money or wealth, and it is paid by the person making the gift. A 13 is a charge levied on goods brought in from other countries. Also, 14 are charges levied for the use of goods or services. Guided Reading Activities 2732 9-3 For use with textbook pages S TATE AND LOCAL TAX SYSTEMS RECALLING THE FACTS Directions: Use the information in your textbook to answer the questions. Use another sheet of paper if necessary. 1. What is intergovernmental revenue? 2. What are the two largest sources of revenue for states? How are they collected? b. 3. What are the third and fourth largest sources of revenue for states? b. 4. Name four other sources of revenue for state governments. b. c. d. 5. What are the three largest local government revenue sources? b. c. 6. What information does a payroll withholding statement show? 28 Guided Reading Activities33 9-4 For use with textbook pages C URRENT TAX ISSUES OUTLINING Directions: Locate the following headings in your textbook. Then use the information under the headings to help you write each answer. Use another sheet of paper if necessary. I. Tax Reform A. Tax Reform in 1981 What breaks did businesses gain from the Economic Recovery Tax Act of 1981? B. Tax Reform: 1986, 1993 What was the driving force behind the Omnibus Budget Reconciliation Act of 1993? C. Tax Reform in 1997 What was behind the unexpectedly high tax revenues in 1997? D. Tax Reform in 2001 What additional tax bracket was added in 2001? II. The Value-Added Tax A. Introduction/The Concept of Value Added How is the VAT different from a national sales tax? B. Advantages of a VAT What are the three main advantages of a VAT? C. Disadvantages of VAT What makes a VAT invisible to consumers? III. The Flat Tax A. Introduction What is a flat tax? B. Advantages of the Flat Tax What are three advantages of a flat tax? C. Disadvantages of the Flat Tax What are two disadvantages of a flat tax? IV. The Inevitability of Future Reforms What are four factors that ensure further change in the federal tax code? Guided Reading Activities 2934 10-1 For use with textbook pages T HE ECONOMICS OF GOVERNMENT SPENDING FILLING IN THE BLANKS Directions: Use your textbook to fill in the blanks using the words in the box. Some words may be used more than once. Use another sheet of paper if necessary. transfer payments per capita private sector public sector grant-in-aid resource allocation distribution of income redistributing income goods and services Introduction/Government Spending in Perspective Government is a major player in the economy of the United States, spending more than all privately owned businesses combined. It spends huge amounts on 1, 2, and other programs. On a 3, or per person basis, this amounts to almost \$10,000 for every person in the country. The growth in the 4, which is the part of the economy made up of federal, state, and local governments, has led some people to question what services the government should provide and what should be provided by the 5 the part of the economy made up of private individuals and privately owned businesses. Two Kinds of Spending Government makes two broad kinds of expenditures. The first is for 6. The second is in the form of what are called 7. These are payments for which the government receives neither goods nor services in return. One type is known as a 8. An example is the interstate highway construction programs for which the federal government grants money to cover the major part of the cost. The states through which the highways pass pay the rest. Impact of Government Spending Government spending decisions directly affect 9. Resources are shifted to wherever the government chooses to spend its revenues. Government spending also influences the 10, or the way in which income is allocated among families, individuals, or other groups in the economy. The government, by producing 11, is often in competition with producers in the Guided Reading Activities35 10-2 For use with textbook pages F EDERAL GOVERNMENT EXPENDITURES RECALLING THE FACTS Directions: Use the information in your textbook to answer the questions. Use another sheet of paper if necessary. 1. What is the difference between mandatory spending and discretionary spending in the federal budget? 2. What is the difference between a fiscal year and the calendar year? 3. What branch of the government is responsible for developing the budget? 4. What is a federal budget surplus? 5. What is a federal budget deficit? 6. What is an appropriations bill? 7. What is the Congressional Budget Office (CBO) and what is its role? 8. What are the 12 categories of expenditures in the federal budget? Guided Reading Activities 3136 10-3 For use with textbook pages S TATE AND LOCAL GOVERNMENT EXPENDITURES FILLING IN THE BLANKS Directions: Use your textbook to fill in the blanks using the words in the box. Some words may be used more than once. Use another sheet of paper if necessary. elementary and secondary education interest on debt insurance trust funds balanced budget amendment bonds public utilities intergovernmental expenditures public welfare police protection higher education Introduction/Approving Spending Like the federal government, state and local levels of governments also have to go through a budget process. Some states have enacted a 1, which is a constitutional amendment that requires that annual spending not exceed revenues. Under these conditions, states must cut spending when revenues drop. State Government Expenditures There are seven major categories of state government expenditures. The largest is 2. These are the funds that the state distributes to towns and cities. The second-largest category of expenditures is 3. These payments take the form of cash assistance and payments for medical care. Money in 4 is invested until such time as people retire, become unemployed, or are injured on the job. Another large category is 5, a traditional responsibility of state governments with their networks of state colleges and universities. States borrow money, usually by issuing 6. As a result, they must pay 7. Local Government Expenditures More than one-third of local government spending is on 8. Spending on 9, such as water and sanitation, amounts to the second most important expenditure. Local spending on 10 is higher than it is on the state level. As with the federal and state governments, local governments also borrow money for large capital expenditures, so they must budget for 11. However, local governments spend much less than states on Guided Reading Activities37 10-4 For use with textbook pages D EFICITS, SURPLUSES, AND THE NATIONAL DEBT OUTLINING Directions: Locate the following headings in your textbook. Then use the information under the headings to help you write each answer. Use another sheet of paper if necessary. I. From the Deficit to the Debt A. From the Deficit to the Debt What is deficit spending? B. Deficits Add to the Debt What is the only way the annual budget can lower the federal debt? a C. How Big Is the Debt? Why do most economists tend to disregard trust fund balances? D. Public vs. Private Debt How much of the public debt is owned by foreigners? II. Impact of the National Debt What happens to the purchasing power of individuals as a consequence of the federal debt? III. Taming the Deficit A. Gramm-Rudman-Hollings Why did GRH fail? B. Budget Enforcement Act of 1990 What is the BEA's main feature? C. Omnibus Budget Reconciliation Act of 1993 What feature of this act helped account for the 1998 budget surplus? D. Balanced Budget Agreement of 1997 What is a spending cap? E. Success at Last What is the connection between entitlements and mandatory spending in the federal budget? Guided Reading Activities 33