

CHAPTER 20, Economic Challenges

Migrant and seasonal workers play a big role in Florida's economy. When the Great Depression occurred, many families became migrant workers. They took work wherever they could find it. Today's migrant workers also take much of the work they can find. Some workers are native Floridians, but many workers are from South and Central America. However, they are not all Hispanic. A large number of them speak native dialects. Haitians and other peoples from the Caribbean also work as migrants.

Floridians hurt by the Great Depression were helped by the New Deal. One New Deal program was the Civilian Conservation Corps (CCC), which gave jobs to 40,000 Florida men. They built many of Florida's state parks and wildlife preserves. They rebuilt the Overseas Railroad, which connected Miami to Key West. A hurricane had destroyed many of the railroad bridges. The CCC provided the men food, clothes, and a place to live. Their paychecks were sent home to benefit their families.

Florida child labor laws protect teens in the workforce. Teens aged 14 and older may be
employed in Florida. Child labor laws help protect them. First,
teens under the age of 18 cannot work in dangerous jobs. For
example, minors may not be loggers or firefighters. Second, the
laws limit how many hours a minor may work, in order to
ensure school attendance. A minor who wants to work more
hours can apply for a waiver.

1925: A. Philip Randolph forms the Brotherhood of Sleeping

Car Porters. Randolph's parents taught him to be proud that he was an African American from Florida. He took that pride with him when he moved to New York. As a porter, he worked on the famous Pullman sleeping cars. Most of the porters were African American. Sometimes, the Pullman Company made them work 24 hours without sleeping. The black porters were paid less than white porters. Railroad workers already had a union to fight for their rights. However, that union did not want black members. Randolph formed a new union to fight for the rights of African American porters. He challenged the powerful Pullman Company and won.

2009: Florida's population drops for the first time since

World War II ended. Many military people left Florida after the war. Nevertheless, the state's population kept growing for two reasons. The economy was strong, and there was a real estate boom. Both factors declined during the recession in 2008–2009. More than 56,000 residents left Florida.

2010: Ports near Gulf oil spill work with cruise lines to keep oil

out of the harbors. Any cruise ship sailing through an oil slick in the Gulf would bring the oil into port. However, that did not happen following the Deepwater Horizon catastrophe. Cruise lines changed their sailing times so they got to the Gulf in daylight. Then they could see the oil slick and maneuver around it.

Unpacking the Florida Standards <…

Read the following to learn what this standard says and what it means. See FL8-FL20 to unpack all the other standards related to this chapter.

Benchmark SS.7.C.2.13 Examine multiple perspectives on public and current issues.

What does it mean?

Understand how to identify point of view, or a person's beliefs and opinions, and be able to read and think about a public or current issue from different points of view. Go to the Chapter 4 Reading Skills lesson, Identifying Points of View, for help. See also the Students Take Action and the Law 101 features that appear in each chapter.



CHAPTER 20

ECONOMIC CHALLENGES

Essential Question What challenges does the U.S. economy face? How does the government respond to economic challenges?

Florida Next Generation Sunshine State Standards

SS.7.C.2.13 Examine multiple perspectives on public and current issues. SS.7.E.1.2 Discuss the importance of borrowing and lending in the United States, the government's role in controlling financial institutions, and list the advantages and disadvantages of using credit. SS.7.E.1.4 Discuss the function of financial institutions in the development of a market economy. **\$\$.7.E.2.2** Describe the banking system in the United States and its impact on the money supply. SS.7.E.2.5 Explain how economic institutions impact the national economy. LA.7.1.6.1 The student will use new vocabulary that is introduced and taught directly. LA.7.1.7.1 The student will use background knowledge of subject and related content areas, prereading strategies, graphic representations, and knowledge of text structure to make and confirm complex predictions of content, purpose, and organization of a reading selection.







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CIVICS Matters

Did you know that you play a role in the U.S. economy? Every time you make a purchase, deposit money in the bank, or perform work, you are contributing to the economy. The economy changes over time. Its ups and downs cause problems that affect all Americans.



STUDENTS TAKE ACTION

RESTORING SCHOOL RECESS When the school board in Madison, Wisconsin, decided to abolish the morning recess break, students went into action. What would you do if you did not agree with a change in your school's policies?

FOCUS ON WRITING

A MEMO You are a writer at a television network with an idea for a financial news segment. Draft a memo to your boss telling her about your idea. As you read this chapter, gather information about the economic challenges the country has faced in the past and may experience again. Then write your memo about these challenges, how they were met, and how they may be dealt with in the future.

Reading Skills

In this chapter you will read about the business cycle of a free-market economy. You will learn about the Great Depression and how the government became more involved in regulating the country's economy. You will read about the

challenges the national economy faces. You will learn about the policies the government uses to respond to those challenges. You will read about the ways workers and employers negotiate with one another.

Conducting Cost-Benefit Analyses

Everything you do has both costs and benefits connected to it. Benefits are things that you gain from something. Costs are what you give up to obtain benefits. The ability to analyze costs and benefits is a valuable life skill for you as a student and as a citizen. Weighing an action's benefits against its costs can help you and society make good decisions.

For example, if you buy a video game, the benefit of your action to you is the enjoyment you get from playing the game. The clearest cost is what you pay for the game. Other costs may not involve money, such as the time you spend playing the game. This time is a cost because you give up something else, such as doing your homework or watching a TV show, when you choose to play the game.

Costs and Benefits Another example is a conflict between business owners and workers. To force business owners to bargain with them, labor unions can decide to strike. In a strike, union members walk off the job. Production stops, and the company loses money. As a worker, you might analyze the decision to strike by comparing the benefits and costs.

Benefits of a Strike

- May cause business owners to bargain with workers
- Could obtain higher wages and better benefits
- Workers feel they have bargaining power

Costs of a Strike

- Workers lose salary while on strike
- Production stops and business loses money
- Workers could be replaced by new employees and lose their jobs

Helpful Hints for Analyzing Costs and Benefits

- First determine what the action or decision is trying to accomplish.
- Look for the positive or successful results of the action or decision. These are the benefits.
- 3. Consider the negative or unsuccessful effects of the action or decision. Also think about what positive things would have happened if it had not occurred.
- Compare the benefits to the costs and evaluate the action.



You Try It!

The following passage is from the chapter you are about to read. Read it and then answer the questions below.

In 2002 the shippers association started a lockout that kept dockworkers out of 29 West Coast ports for 10 days. When a strike or lockout happens, both sides may suffer. Workers do not get paid, and their companies lose sales. Other people also are hurt by strikes . . . During the shipping lockout, cargo piled up on ships and some manufacturers had to shut down because they could not get raw materials.

Chapter 20, p. 547

After you have read the passage, answer the following questions.

- **1.** Imagine that you are a member of the shipper's association. What might be the benefits to you of shutting down your business and locking workers out?
- **2.** What are the business costs of a long dispute with the workers?
- **3.** Chapter 19 made the following point: "In a healthy economy when business is doing well, there must be plenty of money available to consumers. Otherwise, the goods being produced cannot be sold. This would slow production. Slowing production could cut into profits and possibly result in layoffs of workers. Free-flowing money in the form of credit makes it possible for consumers to buy whenever there are goods to be sold." Based on this passage, what are the benefits to the national economy when you borrow money to buy a stereo?

As you read Chapter 20, look for situations in which doing a cost-benefit analysis could help the country make economic decisions.

KEY TERMS

Chapter 20

Section 1

business cycle (p. 534) expansion (p. 534) inflation (p. 535) costs of production (p. 535) peak (p. 535) contraction (p. 535) recession (p. 535) trough (p. 535) depression (p. 535)

Section 2

fiscal policy (p. 541) monetary policy (p. 541)

Section 3

labor unions (p. 544) collective bargaining (p. 544) strike (p. 545) picketing (p. 545) job action (p. 545) mediation (p. 547) arbitration (p. 547)

Academic Vocabulary

Success in school is related to knowing academic vocabulary—the words that are frequently used in school assignments and discussions. In this chapter you will learn the following academic words:

policy (p. 541) contract (p. 545)

SECTION 1



The Business Cycle

BEFORE YOU READ

The Main Idea

The economy has periods of uneven growth called business cycles. Sometimes the economy grows quickly, but other times it may grow very slowly or even shrink. The worst point in the business cycle in the United States was the Great Depression.

Reading Focus

- **1.** What are the different parts of the business cycle?
- **2.** What was the Great Depression?
- 3. What was the government's response to the Great Depression?

Key Terms

business cycle, p. 534 expansion, p. 534 inflation, p. 535 costs of production, p. 535 peak, p. 535 contraction, p. 535 recession, p. 535 trough, p. 535 depression, p. 535

hmhsocialstudies.com TAKING NOTES

Use the graphic organizer online to take notes on the business cycle, the Great Depression, and the government's response.



People who make a living selling stocks and bonds may be greatly affected by changes in the business cycle.



Do you know anyone who has lost a job in a business downturn? The job market can change quickly, with little warning. When business

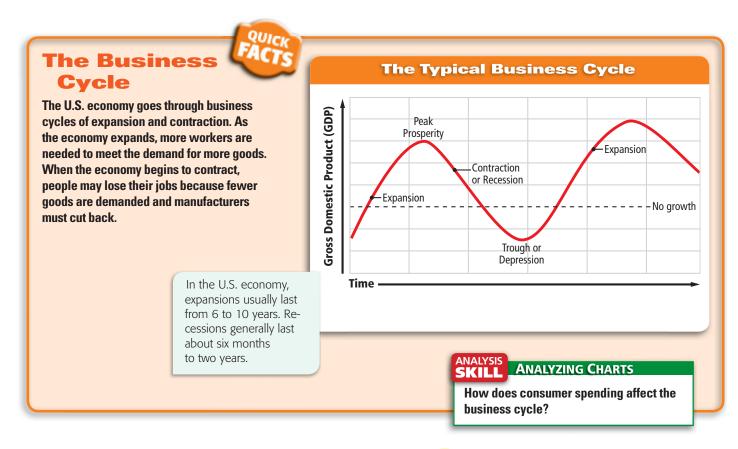
thrives, factories hire more people. However, when business falters, factories lay off people.

The Business Cycle

This shifting of the economy from good times to bad and then back to good times again is called the **business cycle**. The business cycle is a common feature in free-market economies.

When the economy is booming, the gross domestic product (GDP) increases. As you have learned, the GDP is the total amount of goods and services produced by the country in one year. Such a period of growth is called **expansion** because the economy is growing larger.

The expansion of the economy during a boom period is generally good for the country—most people have jobs and businesses are doing well. However, expansion can also cause economic problems. One problem that often accompanies a boom is inflation.



Inflation refers to a general increase in the price level of goods and services. During periods of prosperity, people have more income to spend, causing the demand for goods and services to increase. Prices inflate, or rise, as customers compete with each other to buy goods and services. Sometimes, prices rise faster than wages. People have to spend more but do not get more for their money.

The costs of doing business also increase during a period of economic expansion. Increased competition forces businesses to pay higher prices for raw materials and transportation. Because jobs are more plentiful, businesses may also have to increase wages to keep their workers. Wages, payments for raw materials, transportation, rent, and interest on money borrowed are all part of the **costs of production**. When inflation makes these costs rise, businesses may have to increase the prices of their products to make a profit.

At some point, the expansion of the economy and the inflation that goes with it stop. When this happens, the business cycle has reached a **peak**, or high point. After the economy peaks, business activity begins to slow. This economic slowdown is called a **contraction**. If the contraction becomes severe enough, a **recession** may occur. During a recession, businesses fail, people lose their jobs, and profits fall.

When the economy reaches its lowest point, it is said to be in a **trough**. When the trough is particularly low, economists say the economy is in a **depression**. During a depression, unemployment is very high. Unemployed people cannot buy many goods and services, so businesses suffer or close. Usually troughs are not so low as to throw the economy into a depression.

READING CHECK Sequencing List the stages of the business cycle in the correct order.

The Great Depression

The worst depression in the country's history took place during the 1930s. This period is known as the Great Depression. The first sign of trouble came in October 1929.

ACADEMIC **VOCABULARY**

traditional: customary, time-honored

Prices of stocks on the New York Stock Exchange fell sharply. Then many banks failed, causing many people to lose their savings. By 1932 businesses were producing only half as much as they had in 1929. Thousands of businesses closed. Farm prices plummeted. By 1933 about one in four Americans was unemployed. Many people lost their homes.

Before the Great Depression, most economists believed the business cycle should be left alone. They argued that it was unwise for the government to try to control inflation, boost production, or end unemployment. This hands-off philosophy was based on the idea that the free market was self-correcting. Economists believed that the problems that came with the business cycle would solve themselves. If prices rose too high, people would stop buying goods and services until prices fell again.

Many economists also thought that recessions could not last long. Workers who lost their jobs would soon be willing to accept lower wages. Businesses would then be able to hire people for lower pay. Other costs of production would also be lower than before.

Then came the Great Depression. The traditional theories did not seem to work anymore. The economy did not fix itself. Instead of ending quickly, the Great Depression lasted for more than 10 years.

READING CHECK Identifying Points of View

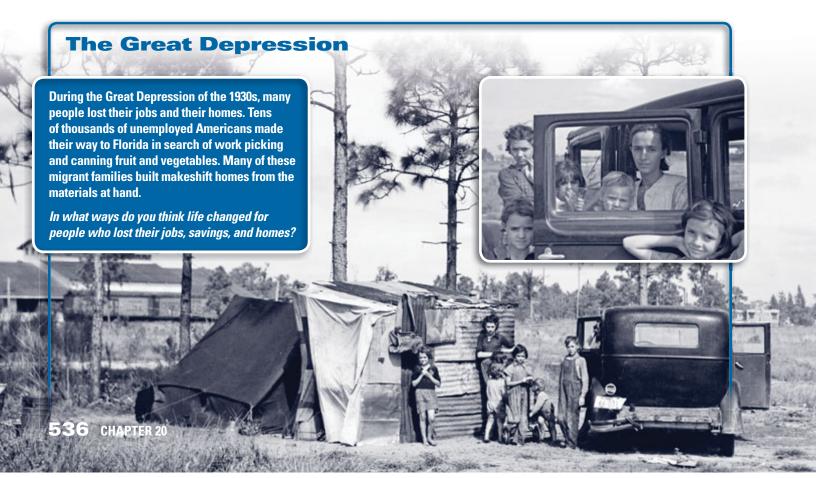
Why were some economists against government involvement in the economy?

The Government's Response

During the Great Depression, millions of unemployed people were willing to accept any pay, no matter how low. However, businesses could not afford to hire workers, even at low wages.

Those businesses that did survive during the Depression did not expand. After all, there was no point in producing more goods when few people had enough money to buy them.

Finally, many people were willing to allow the government to take steps to improve the economy. President Franklin D. Roosevelt established a program called the New Deal that included many approaches to improving the economy.



One approach was to have the government create more jobs. Many people were hired to do civic construction projects, such as building parks and schools.

The government created the Federal Deposit Insurance Corporation (FDIC) to insure bank deposits and increase people's confidence in the banking system. The Securities and Exchange Commission (SEC) was established to oversee the buying and selling of stocks and bonds. The goal of the SEC was to prevent the stock market fraud that had contributed to the depression.

Another important part of the New Deal program was the creation of the Social Security system. This system was established to give regular payments to retired citizens and to help others in need. Unemployment compensation was created to provide workers with some money when they had lost their jobs.

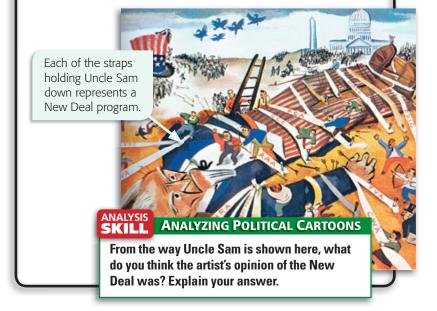
READING CHECK Finding the Main Idea Why did many Americans begin to support government intervention in the economy?

PRIMARY SOURCE

POLITICAL CARTOON

WPA and the New Deal

The New Deal was a variety of different programs designed to end the Great Depression and strengthen the U.S. economy. The Works Project Administration (WPA) was a "make work" program that provided jobs to unemployed Americans during the Depression.



SECTION 1 ASSESSMENT

hmhsocialstudies.com ONLINE QUIZ

Reviewing Ideas and Terms

- **1. a. Define** Write a brief definition for the terms business cycle, expansion, inflation, costs of production, peak, contraction, recession, trough, and depression.
 - **b. Draw Conclusions** What are the economic effects of a recession?
- 2. a. Recall What were some of the problems businesses faced during the Great Depression?
 - **b. Draw Conclusions** Why did the Great Depression cause economists to rethink their theories about the business cycle?
- **3. a. Summarize** What changes did the government make to try to improve the economy during the **Great Depression?**
 - **b. Make Evaluations** Are government agencies like the FDIC and the SEC still needed today? Why or why not?

Critical Thinking

4. Summarize Use your notes and a chart like the one here to identify the programs created by the New Deal and explain how they addressed economic problems.

The New Deal	
Problem	Solution
bank problems	
stock market fraud	
unemployment	
economic hardship	

FOCUS ON WRITING

5. Contrasting Write a paragraph explaining how contractions, recessions, and depressions are different.

SECTION 2



Coping with Economic Challenges

BEFOREYOU READ

The Main Idea

Problems such as inflation, unemployment, and recession pose serious challenges to the economy. The government responds to these problems by changing its monetary and fiscal policies.

Reading Focus

- 1. What kinds of problems can occur in the economy, and what causes them?
- 2. How can the government address these economic problems?
- 3. How can citizens help to improve the economy?

Key Terms

fiscal policy, p. 541 monetary policy, p. 541

hmhsocialstudies.com TAKING NOTES

Use the graphic organizer online to take notes on the causes of economic problems, the government's response to the problems, and other ways to help the economy.



When you are not feeling well, you go to a doctor. When the economy is unhealthy, the government and the Federal Reserve make changes

to control inflation and unemployment. Balance is the goal. The ups and downs of the business cycle are normal, but an economic depression is not.

Causes of Economic Problems

SS.7.E.2.5 Explain how economic institutions impact the national economy.

During times of economic growth, the economy often experiences inflation. Inflation harms workers whose wages are not rising as fast as the inflation rate. Even though workers may have the same wages, they cannot buy as much with their money. As a result, their standard of living goes down.

On the other hand, an economy that is not growing supports fewer jobs and leads to higher unemployment. Unemployment grows during periods of recession. Because businesses are producing less, they need fewer workers. Unemployment hurts the individual unemployed workers and also harms the overall economy. Unemployed workers cannot pay bills or taxes. They buy fewer goods and services, which hurts American businesses. Sometimes unemployed people must seek government assistance, which costs taxpayers money.

As you can see, inflation, unemployment, and recession pose serious challenges for the economy. What contributes to these economic difficulties? Economists point to many different reasons, including the money supply, government spending, and productivity.

The Money Supply

One major cause of inflation is having too much money in circulation. As people spend this additional money, they cause prices to rise. As a result, the Federal Reserve tries to control the amount of money circulating in the U.S. economy.

Inflation may also be caused when financial institutions make too many loans.





Teens and Minimum Wage

Do you have a plan to get an after-school job? How much do you hope to earn? Years ago, some employers took advantage of young workers. They paid them extremely low wages for working long hours at sometimes dangerous jobs. Today, even teenagers working their first job are guaranteed a minimum wage.

Why it The first national minimum wage of 25 Matters cents per hour was created in 1938 by the Fair Labor Standards Act. The law also said that workers who worked more than 44 hours per week had to be paid at a higher rate for the extra time. Today, many workers who work more than 40 hours per week are paid an "overtime" rate.

Since 1938 Congress has increased the minimum wage many times. The minimum wage has been \$7.25 per hour since 2009. There are some exceptions, however. For example, workers who rely heavily on tips, such as waiters, can be paid a lower hourly rate. For workers under 20, the minimum wage is \$4.25 per hour during their first 90 days of employment.



Most teens' first jobs, such as working at a mall store, will pay minimum wage.

EVALUATING THE LAW

- 1. Do you think the current minimum wage is fair? Why or why not?
- 2. Why do you think that people under the age of 20 may be paid less than the minimum wage for a short time?



People and businesses who borrow money then spend that money on goods and services. Thus, loaning money is the same as putting more money into the economy, contributing to inflation. Businesses that borrow and expand too rapidly may produce more goods than they can sell. These businesses must then slow their production, which contributes to economic recession.

Government Spending

The government spends many billions of dollars each year. Much of the money spent by the government comes from taxes paid by individuals and business firms. The government also borrows some of the money it spends. Government borrowing and spending may contribute to inflation because it puts more money into the economy.

Productivity

The amount that a worker produces per hour is called productivity. Rising productivity usually leads to higher wages, higher profits, and lower prices. However, in recent years worker productivity in the United States has lagged behind that of some other countries. This makes many foreign products less expensive than American-made goods.

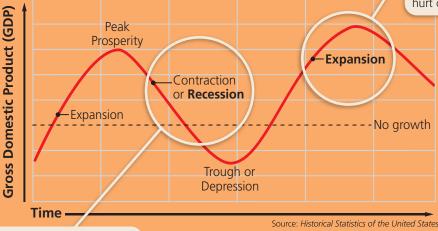
READING CHECK Finding the Main Idea What are the most serious challenges to the economy?

Government Response to the Business Cycle

By using fiscal and monetary policy, the government can influence fluctuations in the business cycle to soften the impact on the American public.

The Typical Business Cycle

During economic expansion, inflation—the rise in the price of goods and services—can hurt consumers.



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During a **recession** or contraction, business activity slows. Businesses may fail, people lose jobs, and profits fall.

Fiscal Policy

Fiscal policy is how the government collects and spends its money. Fiscal policy is decided by the president and Congress.

Recession Government fiscal policy may include reducing taxes and increasing government spending. Either step will put more money into the economy and promote economic expansion.

Expansion To slow inflation and to prolong expansion, government fiscal policy might include tax increases and spending cuts.

Monetary Policy

The Federal Reserve System (the Fed) uses monetary policy to influence financial conditions in the economy. The Fed's main tool is its control of short-term interest rates.

Recession The Federal Reserve may reduce interest rates so that people and businesses would borrow and spend more money.

Expansion The Federal Reserve can raise interest rates. When interest rates rise, people borrow less and spend less, thus slowing economic expansion.

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ANALYSIS SKILL **INTERPRETING CHARTS**

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What actions would you recommend to the president and the Fed to try to move the economy from a recession into a period of growth?

Government's Response to Economic Problems

The government can respond to challenges facing the U.S. economy in a number of ways. The federal government can change its **fiscal policy** to aid the ailing economy by revising its policy of taxing and spending.

If the economy is entering a recession, the government may reduce taxes. It also may increase its own spending. In response to the deep recession the country entered in 2008, President Barack Obama passed a huge stimulus bill that attempted to do both. The bill cut taxes for the middle class. It also invested billions of dollars in the nation's infrastructure, including health care, education, and energy programs. The bill was designed to create new jobs, both in government and in the private sector. The aim was to relieve those most affected by the recession.

During a recession, the economy may also be aided by changes in **monetary policy.** This means a change in the money supply. The Federal Reserve System (the Fed) is the country's central bank. As such, it works to control the amount of money in the economy.

In a recession, the Fed may increase the money supply. It can do that by buying government bonds back from banks or lowering the reserve requirements for member banks. It may also invest money in the banks to aid the flow of credit. If inflation gets too high, the government may raise taxes. The Fed may also raise the reserve requirement. Both actions take money out of the economy.

READING CHECK Analyzing Information How might the government respond to a recession?

ACADEMIC VOCABULARY

policy: rule, course of action

Other Ways to Help the Economy

Fiscal and monetary policies do not always ensure a healthy economy. What more can be done to improve the economy?

Reduce Government Spending The government can reduce wasteful spending and halt unnecessary government programs.

Increase Saving Consumers can also help the economy. They can reduce their spending and save more of their income.

Buy American-Made Products When consumers buy products made in the United States, they help American businesses.

Increase Productivity Business managers and workers can try to improve their efficiency.

READING CHECK Summarizing How can consumers help to improve the economy?

SECTION 2 ASSESSMENT



Reviewing Ideas and Terms

- **1. a. Recall** What are some problems that have a negative impact on the economy?
 - **b. Compare and Contrast** How can government and consumer spending affect the economy?
- **2. a. Define** Write a brief definition for the terms **fiscal policy** and **monetary policy**.
 - **b. Explain** How does the federal government try to solve economic problems?
- **3. a. Summarize** What are some ways that the government can reduce spending?

Critical Thinking

4. Identifying Causes Use your notes and a diagram like this one to identify the causes of economic problems.



FOCUS ON WRITING

5. Support a Point of View Do you think Americans should buy only American-made products? Explain your answer.



Analyzing Line Graphs

Learn

Line graphs visually represent the relationship between two variables. For instance, a line graph could represent the connection between percentage of employees in a union and hourly wages. In a line graph, the areas between known data points are connected, so it is possible to determine patterns. If the graph shows a clear pattern, it may even be possible to draw a conclusion about data not shown on the graph.

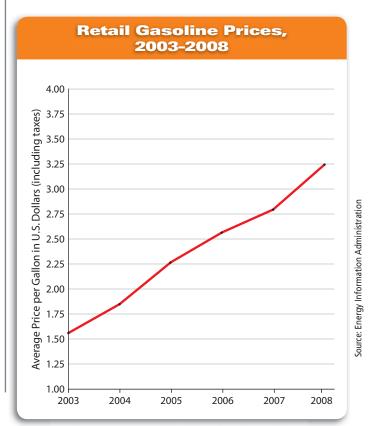
Practice

- Find out the two variables. You can use the labeling on the x-axis and the y-axis to determine the two variables. Be sure to check the units used. In the line graph "Retail Gasoline Prices" the unit for price is U.S. dollars. If time is one of the variables shown on a line graph, it is usually on the horizontal axis, or the x-axis. The variable that changes over time would then be shown on the y-axis.
- **2** Determine the trends shown in the graph. Is there a clear correlation between the two variables? You can try to figure out how one variable affects the other, and also why there may be parts of the graph that do not follow the same trend.
- 3 Decide whether you can extrapolate based on the graph. If there is a clear pattern in the graph, you can infer what would happen outside of the data shown in the graph. However, if there is no pattern in the graph, you may not be able to predict what would happen next.

Apply

Use the line graph titled "Retail Gasoline Prices" to answer the following questions:

- **1.** What was the average price per gallon of gasoline in 2005?
- **2.** Based on this graph, what trend in the price of gasoline can you detect?
- **3.** Considering the economic challenges the country faced in 2008, how might the price of gas have affected many American consumers?



SECTION 3



Labor and Management

BEFORE YOU READ

The Main Idea

Workers formed labor unions to force employers to improve working conditions and wages. Businesses and unions have had conflicts over the years, so the federal government passed laws dealing with labor relations.

Reading Focus

- 1. What led to the rise of factories in the 1800s?
- 2. What are labor unions?
- 3. What laws have been passed to ease relations between labor and management?
- 4. What is the status of labor unions and labor relations today?

Key Terms

labor unions, p. 544 collective bargaining, p. 544 strike, p. 545 picketing, p. 545 job action, p. 545 mediation, p. 547

arbitration, p. 547

hmhsocialstudies.com **TAKING NOTES**

Use the graphic organizer online to take notes on the origins of factories, the rise of labor unions, labor laws, and labor today.



In the early 1900s, boys as young as 8 years old worked underground in coal mines.



As an employee, you want the best wages for your labor. As an employer, you want to control costs. One of your costs will be the

cost of employee wages. How can labor and management both get what they want?

The Rise of Factories

In the early days of the United States, many Americans worked for themselves on small farms or in their own workshops or stores. The Industrial Revolution began in England in the mid-1700s, and quickly spread to the United States and Europe. It changed the way products were made and how people worked. Inventors created machines to manufacture a range of products faster and more cheaply than they could be made by hand. This machinery quickly grew too large to fit inside a home or workshop. As a result, business owners built large factories to house their machinery and workers.

Now instead of working for themselves, thousands of workers took factory jobs for wages. Factory owners often hired hundreds of workers, including men, women, and many young children. Often, entire families worked in the factories.

Conditions in these early factories were often very difficult. The workweek typically lasted six days. The working day was also longer than we are used to, ranging from 12 to as many as 16 hours long. For greater efficiency, jobs were broken down into many small tasks. Workers performed the same routine task over and over throughout the day. This type of work was a great contrast to craftwork done at home or in small shops, where one person might work on an item from start to finish.

In addition, because there were no safety laws, many factories were dangerous places. Early machinery ran using exposed belts and gears that could catch hair or loose clothing. Serious injuries and deaths were common. Dust often filled the air and damaged workers' lungs. Many factories had poor lighting, heating, and cooling. If workers were hurt on the job or got sick, they had no insurance or sick days. Workers' wages were typically low, so saving money was difficult.

READING CHECKContrasting How was factory work different from the work done by many Americans before the Industrial Revolution?

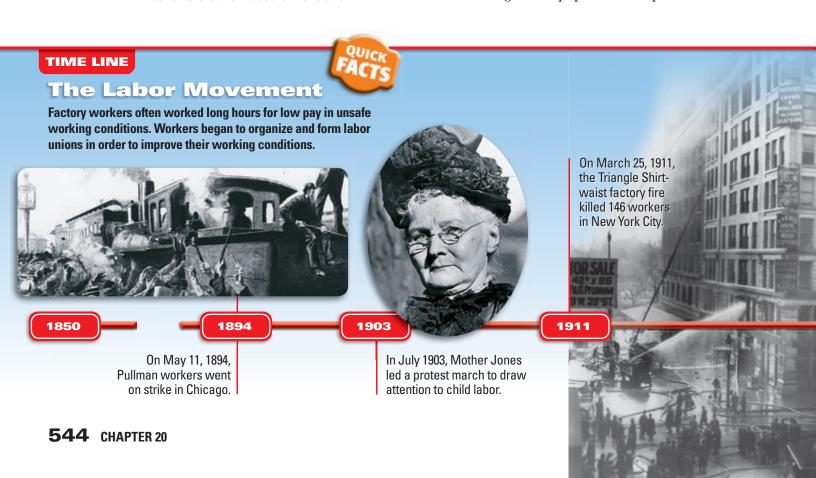
The Rise of Labor Unions

As American industry expanded, growing numbers of workers became dissatisfied with their labor conditions. Men and women began to organize into groups to demand better conditions from their employers. These organizations of workers became known as **labor unions**.

Collective Bargaining

Typical labor union demands included better wages, safer working conditions, and shorter workdays. To achieve these goals, union leaders needed the right to bargain with employers.

This form of negotiation between labor and management is called **collective bargaining**. Under collective bargaining, representatives from a labor union meet with representatives of an employer. Each side argues for the changes it wants or does not want. Usually some sort of compromise is necessary. For example, employers may argue that meeting union wage demands will harm the company's profits. Union leaders might agree to a lower wage increase if some pieces of old and dangerous equipment are replaced.



When an agreement is reached, its terms are put into a written contract. The employer and the officers of the union sign this labor contract. Most contracts expire after a certain time period. Then the process of collective bargaining begins all over again.

Methods Used by Labor

Collective bargaining only works if both sides are willing to sit down and talk to each other. When employers refused to recognize or deal with unions, labor leaders often responded with a **strike**. In a strike, union members walk off the job if employers do not agree to labor's demands.

If a company tries to hire other workers during a strike, the strikers try to prevent this by **picketing**. Picketing strikers walk back and forth, often carrying signs, in front of company buildings. They discourage other workers from entering and taking over their jobs.

A later variation on the traditional strike was the sit-down strike. In a sit-down strike workers actually occupy the factory in which they work. This prevents the company from bringing in replacement workers and can cost employers a great deal of money. However, the strikers can be charged with trespassing on company property. Instead of striking, workers sometimes stay on the job but work much more slowly than usual. This union action is called a slowdown. Any kind of slowdown, or action short of a strike, is called a job action.

Methods Used by Employers

Business owners often viewed union workers as troublemakers. To fight the unions, employers sometimes locked workers out so they could not work. Employers also sent lists of names of workers who were active in the unions to other companies and asked them not to hire anyone named on the list.

In addition, business owners often hired armed guards to protect their property from striking workers. Sometimes these company men attacked union members. Also, in several major strikes, employers asked government officials for help. In some cases, the government ordered strikers back to work and used police and state militias to end the strikes.

READING CHECK Summarizing Why did labor unions develop, and what methods have they used?



In 1955 the AFL, which was formed in 1886, merged with the CIO, which had been formed in 1935.

César Chávez formed the National Farm Workers Association in 1962.



ACADEMIC VOCABULARY

a binding legal

contract:

agreement

membership left the organization to form a new group.

READING TIME LINES

Evaluating As the number of U.S. manufacturing jobs declines, do you think that labor unions still serve a purpose?



FOCUS ON César Chávez (1927-1993)

César Chávez was born in Arizona, but he lived in dozens of towns as his family moved in search of farm work. His early experiences led him to help form unions for migrant

workers. Chávez viewed union work as a part of a larger fight for human rights, a goal he called *La Causa*, or "The Cause." His successes included the formation of the United Farm Workers and a nationally publicized hunger strike against grape growers that led to a better labor contract for farmworkers.

Chávez's patience and dedication to the cause of human rights inspired many people and won him many supporters. He helped make migrant farmworkers' rights a national issue. Before his death in 1993, Chávez insisted, "It's not me who counts, it's the movement."

Elaborate How did Chávez's youth influence his goals in *La Causa* later in his life?

Labor Laws

In the late 1800s conflicts between labor and management grew more violent. National strikes in the coal, railroad, and steel industries threatened the country's economy. These problems worried political leaders. They attempted to bring labor and employers together. In 1902, President Theodore Roosevelt even helped end a national coal strike. This was the first time a president had supported labor unions.

Congress Acts

Few gains were made on a national level, however, until the Great Depression. The economy was struggling, millions of people were out of work, and the public demanded answers. In response, Congress passed a number of labor laws. These and later laws regulate union organizing, labor negotiations, and strikes. One reason for these laws is to protect the public from violence between unions and management. They also reduce the likelihood of strikes in industries vital to the national economy.

Congress also has passed several other laws. Some prevent employers from using unfair practices in dealing with workers. Other laws make unions act fairly in their disputes with employers. Congress has tried to stop dishonest actions by some union leaders and to ensure that unions are run democratically.

National Labor Relations Act

Congress passed the National Labor Relations Act (NLRA), sometimes called the Wagner Act, in 1935. It guarantees the right of workers to organize and bargain collectively through representatives. The law also provides specific ways of settling disputes between labor unions and employers.

In addition, this act set up an independent government agency, the National Labor Relations Board (NLRB). The board judges the fairness of the activities of unions and employers toward each other.

Labor-Management Relations Act

The Labor-Management Relations Act, often referred to as the Taft-Hartley Act, was passed in 1947. It served to revise the Wagner Act in several ways. The Taft-Hartley Act allows the president to order any union to delay a strike for 80 days if such a strike would threaten the national welfare. During this "cooling-off" period, a fact-finding commission may meet and recommend a settlement. At the end of the 80 days, if no settlement is reached, the union may go ahead with its strike.

Landrum-Griffin Act

The Landrum-Griffin Act was passed in 1959 to prevent certain abuses by union officials. It prohibits convicted criminals from serving as union officials for a period of five years after being released from prison. In addition, the law requires unions to file reports of their finances with the secretary of labor each year. Finally, it guarantees union members the right to a secret ballot in union elections and to freedom of speech in meetings.

READING CHECK Summarizing What do the major pieces of labor legislation provide?

Labor Today

Today violent conflicts between unions and employers are rare in the United States. Many Americans, including union members, enjoy much better working conditions than they did in the past. Still, there are disputes between unions and employers. Major issues of concern include employer-provided health insurance, retirement plans, and preserving jobs in the United States.

Settling Disputes

Unions and employers today generally prefer to settle their differences through collective bargaining, with representatives of the two sides negotiating directly. However, if they are unable to reach an agreement, they may call for help.

For example, the National Hockey League went on strike during the 2004-05 season. In 2002 the shippers association started a lockout that kept dockworkers out of 29 West Coast ports for 10 days. When a strike or lockout happens, both sides may suffer. Workers do not get paid, and their companies lose sales. Other people also are hurt by strikes. For example, during the season-long hockey strike, small businesses located near the hockey arenas lost business. During the shipping lockout, cargo piled up on ships and some manufacturers had to shut down because they could not get raw materials. Some economists estimated that the U.S. economy lost about one billion dollars a day from this dispute.

Sometimes, to resolve a dispute, an expert on relations between labor and management may be asked to examine the issue and recommend a solution. This method is called **mediation**. The recommendations of the mediator are not legally binding on either the union or the employer. They are simply suggestions for a solution to the issues at hand.

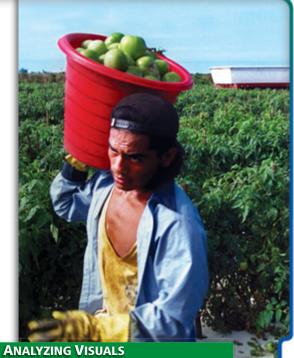
Sometimes another method, called **arbitration**, is used instead. In these cases the decision of the expert arbitrator is binding on both sides.

Linking to Today

Organized Labor

Unions have been a part of U.S. labor history since the late 1700s. Early Americans formed local craft unions based on the craft guilds of Europe. In the early 20th century, as American industry expanded, more workers organized to improve their labor conditions. Many workers formed national industrial unions. The power of collective bargaining enabled union members to gain better pay, shorter hours, and safer workplaces.

Workers continue to organize in order to negotiate better labor conditions. In southwest Florida, a group of agricultural workers formed the Coalition of Immokalee Workers (CIW) in 1993. Many of the CIW's approximately 4,000 members work as tomato pickers. The CIW has spent several years negotiating a major pay increase, from 45 cents to 77 cents for every 32-pound bucket of tomatoes harvested. In 2010, they finally reached an agreement with Florida's major tomato growers for a pay increase and improved workplace conditions.



Drawing Conclusions How might organizing into a union or advocacy group benefit workers?

Labor Struggles

In recent years labor unions have struggled. One problem has been the gradual loss of American manufacturing jobs to overseas competition. These jobs formed the core of the union movement. In addition, many states have right to work laws that ban the closed shop. A closed shop is a workplace where all employees are required to belong to a union.

The right to work is a legal principle. It means that all employees who are qualified for their job are entitled to work at unionized workplaces, whether they join the union or not. Right to work does not mean that every person is entitled to a job.

Labor leaders have been divided on how to rebuild union strength. Some union officials want to put union money into political campaigns, typically in support of Democrats. They hope to influence labor laws by helping elect helpful congressional and presidential candidates. However, many other union members disagree with this approach.

In 2005 conflict among labor leaders led to a split in the nation's largest association of unions, the AFL-CIO. Five unions representing more than one-third of the AFL-CIO's membership broke away. They banded together in a new coalition called the Change to Win Federation. Its leaders claimed that many AFL-CIO policies had weakened the labor movement in the United States. This had led to reduced union membership. They also believed that AFL-CIO leaders spent too much time dealing with politics and too little trying to improve the lives of workers.

The effects of the split in the labor movement remain to be seen. Some feel that conflict between groups will lead to discontent and a further decline in union membership. Others, however, believe that the existence of a new large labor organization will reenergize the movement. This would lead to major improvements for American workers.

READING CHECK Finding the Main Idea How are most labor disputes settled today?

SECTION 3 ASSESSMENT



Reviewing Ideas and Terms

- **1. a. Define** Write a brief definition for the terms labor unions, collective bargaining, strike, picketing, and job action.
 - **b. Summarize** Why did American workers form labor unions during the 1800s?
 - **c. Compare and Contrast** What methods do labor unions use to persuade employers to agree to union demands? What methods did employers use in the early years of labor unions to fight the unions?
- **2. a. Explain** What is the purpose of the Labor-Management Relations Act?
 - **b. Defend a Point of View** Should the government get involved in disputes between labor and management? Why or why not?
- **3. a. Define** Write a brief definition for the terms mediation and arbitration.
 - **b. Predict** Which method of increasing union influence do you think will have the most success? Can either option work? Explain your answer.

Critical Thinking

4. Contrasting Use your notes and a chart like this one to identify the different methods used by labor and employers in collective bargaining.

Labor's Methods	Employer's Methods

FOCUS ON WRITING

5. Decision Making Imagine that you head the nurses' union in a large hospital. You and the other nurses are unhappy with the level of your pay. How do you think the union should address its problems with its employer?

STUDENTS TAK

Restoring School Recess

raditionally, students in Madison, Wisconsin, had two recess periods. Then to save money, about \$650,000 per year, the Madison Metropolitan School District decided to replace morning recess with a shorter indoor break. The school board did not predict students' reactions, however.

Community Connection At one school in the district, a Project Citizen class of 36 students believed that the recesses helped students focus. The lack of exercise during the morning made students restless before lunchtime. Some parents and teachers agreed. To get recess restored, however, the students needed to convince the school board to change its policy, without losing money.

Taking Action The students contacted members of the media. Several newspapers and television stations came out in favor of the "Recess Rebels." The students also

created a public service announcement for radio. They put up posters in the community. After surveying school and community members about the recess cut, they graphed the results. The students appealed to the school board and state officials. The board decided to let the teachers' union vote on the issue. Partly because the change would cause much disorder in the middle of the school year, most teachers voted against it. Despite this setback, the students realized that

they could make a difference and decided to continue their campaign. One student said, "Before I thought a citizen was someone who flew a flag and voted. I now know that I am a citizen and I have a voice."



Students can have a voice and take action to try to change school policies.

SERVICE LEARNING



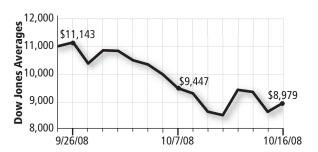
- 1. How did the students go about getting support for their campaign? Were they successful?
- 2. What do you think the students might do differently next time?

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CHAPTER 20 REVIEW

FLORIDA CIVICS EOC PRACTICE

1. The graph below describes stock market movement in the autumn of 2008.



What economic situation is indicated?

- A. the end of a depression
- **B.** the possible beginning of a recession
- C. a rise in stock prices
- **D.** the peak of economic expansion
- **2.** Of the following, which would be a use of the Taft-Hartley Act?
 - A. delaying a strike by a doctors' union
 - B. naming César Chávez a national hero
 - C. revoking the NLRB
 - D. regulating union elections

Reviewing Key Terms

For each term below, write a sentence explaining its significance to facing economic challenges.

- 1. business cycle
- **2.** expansion
- **3.** inflation
- **4.** costs of production
- **5.** peak
- **6.** contraction
- **7.** recession
- 8. trough
- 9. depression

- **10.** fiscal policy
- **11.** monetary policy
- 12. labor unions
- **13.** collective bargaining
- **14.** strike
- **15.** picketing
- 16. job action
- 17. mediation
- 18. arbitration

Comprehension and Critical Thinking

SECTION 1 (Pages 534–537)

- **19. a. Recall** What is the business cycle?
 - **b. Describe** What was government's response to the Great Depression?
 - **c. Elaborate** How did the government's role in the economy change during the Great Depression?

SECTION 2 (Pages 538–541)

- **20.a.** Explain What is the difference between fiscal policy and monetary policy?
 - **b. Describe** What measures does the Federal Reserve take to control the amount of money in the economy, and why does it do so?
 - **c. Evaluate** How important are the actions of consumers in affecting the economy? Explain your answer.

SECTION 3 (Pages 543–548)

- **21. a. Recall** What first caused workers in the United States to form labor unions?
 - **b. Describe** What methods do unions and employers use to try to achieve their goals?
 - **c. Evaluate** Why is it important for workers and management to compromise?

Using the Internet



an important role in developing and maintaining a healthy economic climate in the country. Through your online textbook, explore some of the ways you can contribute to working toward a healthy economy. Then make up a crossword puzzle and answer key using economic terms that are important for students to know.

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Active Citizenship video program

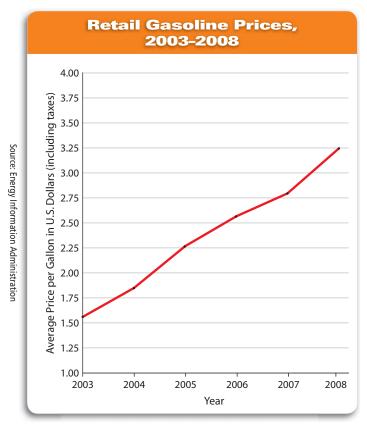
Review the video to answer the closing question: What are some creative ways you can make your voice heard in the school community?



Civics Skills



Line Graphs *Use the Civics Skills taught in this chap*ter to answer the question about the line graph below.



- **23.** During which year was the price of gasoline highest?
 - **a.** 2007
 - **b.** 2006
 - **c.** 2008
 - **d.** 2003
- 24. Between which years did the price of gasoline rise most sharply?
 - **a.** 2007–2008
 - **b.** 2003–2004
 - **c.** 2005–2006
 - **d.** 2004–2005

Reading Skills



Conducting Cost-Benefit Analyses *Use the* Reading Skills taught in this chapter to answer the question about the reading selection below.

In 2002 the shippers association started a lockout that kept dockworkers out of 29 West Coast ports for 10 days. When a strike or lockout happens, both sides may suffer. Workers do not get paid, and their companies lose sales. Other people also are hurt by strikes . . . During the shipping lockout, cargo piled up on ships and some manufacturers had to shut down because they could not get raw materials. (p. 549)

25. Food products, electronic goods, and toys are often delivered by ships. Knowing this, predict how the lockout might have been harmful to U.S. consumers in general.

FOCUS ON WRITING

26.Writing Your Memo Look back over your notes about economic challenges the country has experienced and what was done to solve the problems. Decide which of these problems you will include in your first financial news segment. Then draft a one- to two-paragraph memo to your boss briefly describing the segment. Remember to explain the problem and show how it was solved.