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Civics and Economics in U.S. History





CIVICS IN U.S. HISTORY2–54

ECONOMICS IN
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Chapter 1

What Is Government?

The Big Question

How is power distributed in different government systems?



Same but Different

Since the origins of civilization around 4000 BCE, societies around the world have formed governments to organize and lead their citizens. A government is any system in which a person or group of people exercises authority over others.

Not all forms of government are the same, however. Throughout history, there have been many forms. Each has its own set of rules and ways of governing.

Some governments rule by intimidation and force. Others, like the United States, are based on the will of the people, who choose leaders to make the laws that guide society. Under ideal conditions, a nation's citizens expect the government to protect them and take



Leaders in the Roman Republic discussed important issues in the Roman Senate.



care of their economic and social needs while also defending national borders and preserving people's rights and freedoms.



Early Government

The earliest governments developed in ancient times, when people began settling in groups near fertile river valleys to farm. Beginning around 4000 BCE, the Sumerians formed one of the world's first civilizations along the Tigris and Euphrates, two rivers located in Mesopotamia (modern-day Iraq). The Sumerians developed a government out of necessity. Flooding during the wet season and parched conditions in the summer consistently destroyed farmland, threatening Sumerian existence. Sumerian priests organized the people to build flood-control and irrigation projects. Within a few hundred years, Sumerian villages had turned into great **city-states**, led by kings. Eventually, the city-states united under the rule of one leader.

Vocabulary

city-state, n. a city that is an independent political state with its own ruling government

Over time, more civilizations developed and grew. They, too, formed governments. The ancient Greek civilization, which lasted from about 1200 BCE to 323 BCE, had many systems of government. Like ancient Sumer, ancient Greece was made up of several independent city-states, including Athens. Athens was first ruled by a king, but power slowly shifted to wealthy nobles, creating an **aristocracy**. Although Athens was wealthy and powerful, Athenian citizens began to resent the power of the ruling nobles. They wanted more rights and a greater say in governing. They developed the world's first **democracy**, around the fifth century BCE.

Vocabulary

aristocracy, n. a hereditary ruling class of nobles

democracy, n. a form of government in which people choose their leaders

Think Twice

Why did Sumerians develop a government?



Democratic Government

The government of Athens was a direct democracy. This means that all Athenian citizens participated in the day-to-day

affairs of governing. Participation was mandatory. Citizens who did not participate had to pay a fine or face other punishment. However, the right to vote in Athens was limited to free adult male citizens. Women and enslaved people had no voice in the government.

The main body of the Athenian government was the **assembly** of the *demos*—all male citizens (some thirty

thousand to sixty thousand people, depending on the era). All free, adult male citizens were allowed to speak and vote on the issues. Their activities were organized by a group of elected presidents.

Vocabulary

assembly, n. a group of people; in ancient Athens, the lawmaking body



Citizens in ancient Athens spoke and voted on issues.

Athens also had a council of five hundred elected citizens called the *boulē* that performed administrative tasks for the assembly. And it had a system of law courts led by elected magistrates in which citizens served on **juries**.

Athenian democracy influenced other societies, including ancient Rome and, in time, the United States. But Rome wasn't a direct democracy in the Athenian tradition. Instead, it became a **republic**, or a representative democracy. In a republic, the people rule through elected representatives. In Rome, both men and women were citizens, but only wealthy men could vote. Women, lower-class citizens, and enslaved people couldn't vote. Over time, Romans from the lower classes gained more rights of citizenship and a greater voice in government.

Vocabulary

jury, n. a group of people who listen to information presented during a trial in a court and make decisions about whether or not someone is guilty

republic, n. a government in which people elect representatives to rule for them



Find Out the Facts

Find out more about Athenian democracy.

Other Forms of Government

Outside of ancient Greece and Rome, much of the world was governed by **monarchies**. The monarch held absolute power, and the people had little to no say in the government. There are few absolute monarchies in the world today. Over time, people demanded change. As a result, many nations developed constitutional monarchies. Constitutional monarchies are democratic governments in which the king or queen is the ceremonial head of state. Real power rests with an elected parliament and a constitution. Constitutional monarchies evolved from absolute monarchies in which the king or queen had unlimited power. The United Kingdom is an example of a constitutional monarchy.

Totalitarian governments formed during the early 1900s CE in Nazi Germany, Nationalist Spain, and Fascist Italy. The

Vocabulary

monarchy, n. a government with a hereditary head of state whose powers range from limited to absolute

totalitarian, adj. relating to a system in which the government controls the people completely

Soviet Union, which became the world's first communist nation in 1917, became a totalitarian government under the leadership of Josef Stalin. Totalitarian regimes are often run by **dictators**, such as Adolf Hitler in Germany, Benito Mussolini in Italy, and Francisco Franco in Spain. Each of these individuals held absolute power. North Korea, under supreme leader Kim Jong-un, is an example of a current dictatorship.

Similarly, an **oligarchy** is a form of government controlled by a few people or families who typically have unlimited

wealth and power, which is often used in oppressive ways. Argentina between 1880 and 1910 is an example of an oligarchy.

Iran and Afghanistan are **theocracies**.

In this form of government, a religious institution holds absolute power.

Vocabulary

dictator, n. a ruler who has total control over a country

oligarchy, n. a government controlled by a small group of people from aristocratic and wealthy nonaristocratic families

theocracy, n. a system of government ruled by religious leaders



Nazi Germany was a dictatorship in which one man had total power.

Government officials are members of the religious leadership, and laws are based on religious law.

Purposes of Government

Governments exist to serve the needs of society. Those needs have evolved over time. The Sumerians, for example, took collective action to solve specific problems. Sumerian leaders soon recognized that their fertile fields were so valuable that others would kill to control them. Consequently, the government took on the responsibility of protecting

Sumerian land. In modern times, in addition to defense, governments are critical to the economic, social, and cultural well-being of those they govern.

One way of organizing society is through laws that protect people and bind them into one community. Governments institute laws to make people safe and to ensure that citizens are not abused by others. In many democracies, government power to create laws is written into a constitution to protect the rights and freedoms of individuals. In turn, people have a right to hold their government representatives accountable for their actions.



Governments build roads to help people travel.



Fire departments play an important role in keeping communities safe.

Governments set policies that benefit society, not only through laws but also through regulations, court decisions, and other actions. **Public policy** includes many things. Governments, for example, might set a policy to protect people during health emergencies, or they might make sure trade practices with other countries are fair. Providing services is another role the government fulfills. Services are provided at different levels of government. National governments

may provide health care programs for all citizens. Local governments are responsible for funding police forces and fire departments as well as building schools and highways.

Think Twice



In what ways do the actions of government, whether on the national, state, or local level, impact the lives of citizens?

Vocabulary

public policy, n. a set of government steps for how something is done

Writers' Corner

Write a paragraph suggesting a number of ideas for improvements to your community that your local government could work on.



Chapter 2

Origins of American Government

The Big Question

How did ideas and debates about rights and power shape the American Revolution?

The American Colonies

Beginning in the late 1400s CE, European nations—including England—established colonies in the Americas with the goal of exploiting the natural and human resources they found there. As England's colonies, and then what became British colonies, multiplied and grew, Great Britain took advantage of its colonies and its colonial citizens. British treatment of its North American colonists eventually led to revolution and the founding of the United States.



Christopher Columbus's 1492 voyage in search of a western route to India became the first step in European domination of the Americas. Columbus's first settlement was at Santo Domingo, on an island the Spanish called Hispaniola. The Spanish, Dutch, French, and English all established colonies from which Europeans could extract America's vast resources, including gold, furs, and timber.

With colonization came rivalry. The French settled in what is now eastern Canada, Louisiana, and elsewhere. The English colonized New England, Virginia, and other areas along the Eastern Seaboard of what is now the United States. Each wanted to dominate for political and economic reasons. It was a mindset that eventually led to war. That conflict, the French and Indian War, was part of a wider world war called the Seven Years' War. The British forces in the Americas named their part of the war after their opponents: the French and Native Americans. It began in 1754 and ended in 1763 with a British victory.

But victory had its price. The French and Indian War left Britain with a mountain of debt. The country spent nearly 133 million pounds (\$27 billion today) to defeat the French. To complicate matters, the British government now had to defend all its newly

won land. This was an expensive task. The British government could raise **taxes** on British citizens or American colonists to pay its war debt and the cost of keeping soldiers in North America. King George III and Parliament chose the latter—without the input or consent of the Americans.

Vocabulary

tax, n. money that people are required to pay to support the workings of the government

One of the first taxes came in 1764 when Parliament passed the Sugar Act. The law implemented a hefty tax on refined sugar coming to America from the French and Spanish West Indies. The tax was so much higher than the tax on sugar coming from the British West Indies that British planters soon monopolized the American market.

Other taxes soon followed. The Stamp Act forced the colonists to buy royal stamps to transact any business legally. The stamps forced nearly every American to pay more for everyday items such as playing cards and newspapers. Anger in Britain's American colonies grew. The colonists complained that they had no say in the imposing of taxes by Parliament. They were British citizens, they argued, and as such, they had the



Colonists were angered by the Stamp Act and responded with riots.

same rights as any British citizen. The colonists took to the streets in protest. They shouted, “No taxation without representation!”

For the Americans, the Sugar Act and the Stamp Act, which Parliament later repealed, among other taxes, were the fertilizer in which the seeds of rebellion took root. Riots broke out across the colonies in the summer of 1765, and radical groups like the Sons of Liberty formed in every colony.

The king cracked down on the discontent. He sent more troops to the colonies and forced the colonists to quarter, or

house, them. A strong desire for self-rule gripped the colonies. Fearing the influx of British troops, American colonists in Massachusetts sought to defend themselves. The first shots were fired at Lexington and Concord in April 1775, launching the American Revolution.



The Declaration of Independence

After the incident known as the Boston Tea Party, delegates from the colonies held two meetings to decide what to do to secure

their liberty. The First Continental Congress was held in late 1774. Delegates from twelve of the thirteen colonies attended. After the war began in 1775, each colony sent representatives to Philadelphia to meet at the Second Continental Congress. There, the delegates created an army and picked George Washington as its leader. All the while, Congress tried to reconcile, or make amends, with the mother country. Those attempts failed. The idea of the colonies declaring their independence from Britain began to gain more support.

On June 7, Richard Henry Lee of Virginia stood up at the meeting of the Second Continental Congress. He offered a motion urging Benjamin Franklin, John Adams, Thomas Jefferson, and the other delegates to declare that “these United Colonies are, and of right ought to be, free and independent States.”

Some delegates shook their heads in skepticism. Others recoiled with fear. The convention set the motion aside. Delegates would revisit it the first week in July. In the meantime, Congress appointed several men, including Adams, Franklin, and Jefferson, to draw up a declaration of independence. Writing fell to Jefferson. Adams and Franklin were his editors.

What flowed from Jefferson’s pen was brazen, bold, and quite unexpected. He listed all the complaints that the Thirteen Colonies had with King George, including forcing the slave trade on the American colonies. Then Jefferson did something that was even more astonishing. He wrote that government received its power from the people, not the other way around. If leaders failed to act in the best interest of those they governed, the people were free to change their government.

The idea that governments get their power from those they govern was beyond revolutionary. Yet it was not entirely new. European philosophers in the early 1700s had argued much the same thing. The Americans, however, were the first to put the idea into practice with the Declaration of Independence.

Independence was the most radical of ideas. Many in Congress argued against such a drastic move. It was Thomas Paine who helped sell the idea to the public. In January 1776, he published a pamphlet called *Common Sense*, in which he argued for independence. “Even brutes do not devour their young,” he wrote. Elsewhere, he wrote, “TIS TIME TO PART.”



Thomas Paine's pamphlet *Common Sense* helped build support for independence from Britain.

On July 2, the delegates voted to declare independence. They had edited the Declaration, erasing Jefferson's section on the slave trade. Two days later, the delegates signed the document.

Writers' Corner

Write a paragraph explaining why some delegates to the Second Continental Congress were fearful of declaring independence from Britain.



The first draft of the Declaration of Independence was presented on June 28, 1776. Six days later, it was adopted.

The First American Government

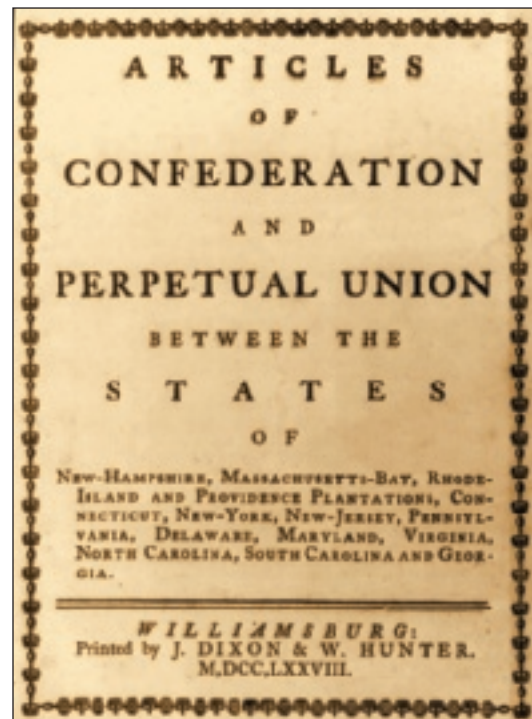
Once free from the British government's grip, the new nation had to create a workable government. War was still raging, and the outcome was uncertain. Whether independence would last was an open question. Americans now lived in thirteen separate squabbling states concerned with their own self-interest. Not even a declaration saying they were part of an independent nation was going to change that.

In 1777, the Founders wrote the Articles of Confederation. It established the first government of the United States. The former British colonists were skeptical of a strong central government. They made sure the Articles gave it little power. Americans believed the best way to guarantee individual rights was to create a weak central government. In fact, they were so wary of a strong central authority that it took four years for the states to **ratify** the Articles.

Vocabulary

ratify, v. to approve

The Articles demanded each state keep "its sovereignty, freedom and independence." The government's main power, such as it was, rested not in the president but in the Confederation Congress, made up of representatives from each state. But what exactly could Congress do? Not much, it turned out. For one thing, Congress rarely met. When it did, it did not have the power to raise taxes to spend on an army or to build canals and roads. It did not have the power to force the states to use a national currency. Each state had its own form of money. The new nation struggled to pay for its war effort with no money and no power.



The Articles of Confederation set up the first government of the United States of America.

There was something else the Articles could not do. It could not unite Americans to act in their own best interest. Each state had the power to impose its own duties, or taxes, on goods coming from other states, for example. New England's fishers and southern rice and tobacco growers could not find a market for their goods. Economic chaos reigned.

The United States' war with Britain officially ended in 1783 with the signing of the Treaty of Paris. The Americans had prevailed. Moreover, settlers began pushing farther west beyond the Appalachian Mountains. As they did, border disputes broke out between states that the central government could not

referee. Many people, including George Washington, had lost faith in the Articles. He called them "little more than a shadow without the substance."

The tipping point came with Shays's Rebellion, a violent rebellion in Massachusetts that had a profound effect on the nation. Participants in the rebellion tried to prevent the collection of debts. The revolt sent shockwaves across the country. Americans in many other areas staged similar protests. The new nation was tearing apart, and there was nothing the national government could do. In February, Congress agreed to hold a convention "for the sole and express purpose of revising the Articles of Confederation."



After Shays's Rebellion, leaders in the United States decided to strengthen the Articles of Confederation.

Chapter 3

The U.S. Constitution

The Big Question

How is the U.S. Constitution designed to ensure that the country simultaneously has an “energetic government” and protects rights?



Influences

The Articles of Confederation, the first attempt by the United States at self-government, were a failure. When representatives from the states gathered in Philadelphia during the summer of 1787 to revise the Articles, it became clear they would have to start from scratch on an entirely new government.

The convention that gathered in Philadelphia that summer was full of distinguished participants, including



The Constitution that the United States uses today was written in Philadelphia in 1787.



Revolutionary War hero George Washington and famous Philadelphian Benjamin Franklin. Yet it was one Virginian, James Madison, who provided the Constitutional Convention with its direction.

Madison knew that if the United States was to survive, it needed a strong central government—but not so strong that it would trample the rights of its citizens. If a government could achieve such a delicate balance, he believed, it would act as a “disinterested & dispassionate umpire in disputes between different passions & interests.”

Think Twice



What do you think James Madison meant when he said a new government would have to be a “disinterested & dispassionate umpire”?

The delegates looked to the ideas of the European Enlightenment and ideas about limited government that had come before. From the philosopher John Locke, they borrowed the idea of the **social contract**.

Vocabulary

social contract, n. an agreement made by the people to sacrifice certain freedoms in exchange for protections by their government

They also adopted the Enlightenment idea of **popular sovereignty**, the right of the people to govern themselves. This marked a radical departure from the traditional European belief that monarchs were given their powers by God.

The Americans also borrowed another idea—the **rule of law**. This meant that no one—not a king, not a queen, not a czar—was above the law, an idea that traced back to England’s Magna Carta of 1215 CE. The convention also looked back at its colonial history. In most cases, landholding males had elected representatives to colonial legislatures, which made laws for

Vocabulary

popular sovereignty, n. the principle that people create the government and the government is subject to the people’s will

rule of law, n. the principle that all people in a society, including its leaders, must obey the law

the colonies. And before that, there was the Mayflower Compact in Plymouth Colony. The Compact bound Plymouth’s colonists to one another by spelling out how they could govern themselves. Self-government could also be found in the town meetings of the New England colonies.



The Mayflower Compact was used by colonists at Plymouth to govern themselves.



Find Out the Facts

Find out more about how the Separatists governed themselves upon arriving in Plymouth.

Finally, there were the constitutions of the newly independent states. Each state wrote its own constitution, setting up its government and guaranteeing its residents certain liberties.

Madison and the convention's other delegates simply wanted to do the same for the whole nation. They just didn't necessarily agree on the details.



The Convention's Proceedings

The Constitutional Convention began on May 25, 1787. By the time the convention was over, the Framers of the new U.S. Constitution had forged a democratic government limited in its powers. They had figured out a way for each branch of government to check the powers of the others. They had also guaranteed citizens certain rights that the government could not take away.

Getting to that point was difficult, however. On the second day of the convention, Edmund Randolph of Virginia proposed fifteen resolutions, calling for the United States to abandon the Articles

of Confederation and its **unicameral** legislature and replace it with a new government with a **bicameral** legislature.

Vocabulary

unicameral, adj. made up of one chamber

bicameral, adj. made up of two chambers

This so-called Virginia Plan proposed that the first chamber of the new legislature would be called the House of Representatives. Each state would send representatives to the House based on that state's population. Those states with fewer people would have fewer representatives than more populous states. The plan also established a second chamber called the Senate. Its members would be elected by the House. The lower house would also pick the country's "national executive" and judges. The judiciary included a "supreme tribunal" along with lower courts chosen by the national legislature.

Known as the "large state plan," the Virginia Plan split the convention. Representatives from the smaller states believed the plan to be a power grab by the larger states. The smaller states advocated for a strong national government, fearing the larger states would try to control the nation.

In response, William Patterson of New Jersey offered another plan—the New Jersey Plan. It gave Congress many powers and created a unicameral legislature in which each “sovereign” state had one vote. The New Jersey Plan did not gain wide support, either. The convention was deadlocked.

Finally, the Connecticut delegation, headed by Roger Sherman, offered a proposal to end the standoff. The Connecticut Plan divided Congress into two chambers. In the upper chamber, or Senate, each state, regardless of its size, would have the same number of representatives. Membership in the lower chamber, the House of Representatives, would be based on the population of each state. As an olive branch to the southern states, each enslaved individual would be counted as three-fifths of a person for the purpose of determining representation in the House. In the end, the delegates accepted the Connecticut Plan, later called the Great Compromise.



Government Under the U.S. Constitution

Once the delegates agreed to the Connecticut Plan, the framing of a new constitution became a bit easier. In the

end, the Framers created a government of three branches. Each had its own powers, an idea borrowed from the Enlightenment. The legislative branch would make the laws. The executive branch would enforce the laws. The judicial branch would interpret laws.

Think Twice



The first words of the U.S. Constitution are “We the People.” What does it mean to say that American constitutional democracy is of, by, and for the people?

To ensure that none of the branches became too powerful, the Framers created a system of checks and balances. Each branch had powers that limited the powers of the other branches. For example, it was Congress’s job to pass laws, but the president, the head of the executive branch, could **veto** them. If Congress wanted to override that veto, it would have to muster a two-thirds vote of its members. The Framers gave the president the power to negotiate treaties, but the Senate checked the executive’s power by ratifying those treaties. The president could also appoint judges, but only with the Senate’s approval.

Vocabulary

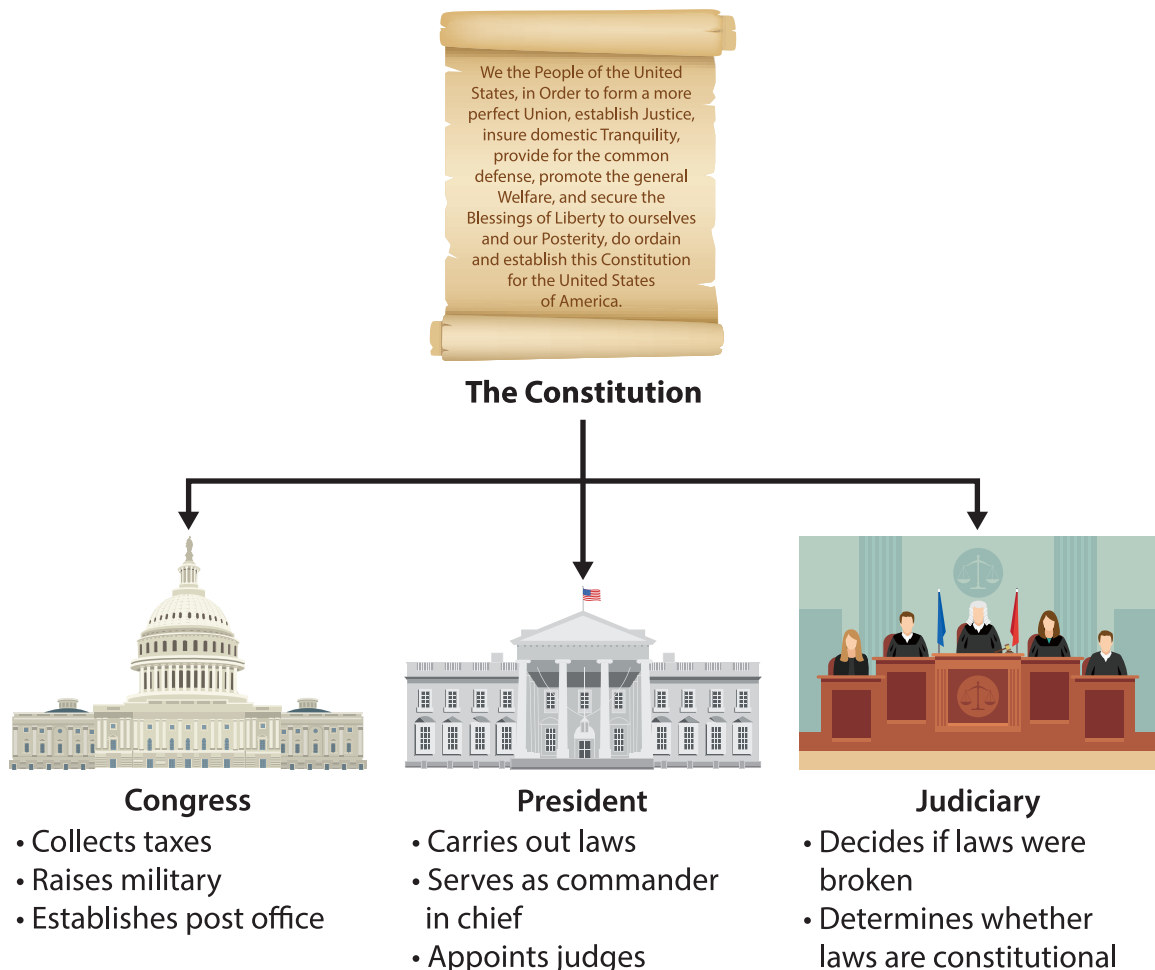
veto, v. to reject

The new constitution also listed the powers of each branch. It allowed Congress, for example, to collect taxes, pay debts, and borrow money. The Constitution also gave Congress the power to declare war, establish a post office, and raise and support an army and a navy. The Constitution gave the president power, too. The president carries out the laws and is the head of the

nation's military as commander in chief.

The president could pardon criminals for federal, or national, crimes. The president also had the power to call Congress into session and to appoint Supreme Court justices. The judicial branch could decide court cases. Later, the Supreme Court began to determine whether laws of Congress are unconstitutional.

Three Branches of Government



Each branch of the government has different duties.

The Framers also molded the Constitution so the central government could share powers with the states, a principle known as federalism. Although federalism is never specifically mentioned in the Constitution, its ideas are peppered throughout the document.



Amending the Constitution

There was also something else the Framers did that made the Constitution unique. The Framers created a constitution that would grow as the nation grew. The Framers could not think of every eventuality, so they created a way to amend, or change, the Constitution. The Framers wanted to make the amendment process difficult but not impossible. If people wanted to change the Constitution, it had to be done with the consensus of the majority. To that end, each house of Congress had to approve any change by a two-thirds majority. Once that hurdle was passed, the measure would go to the states for ratification. Three-fourths of the states had to agree to an amendment before it became part of the Constitution.



The U.S. Constitution Today

Once the Constitution was ratified by the states, it began a unique experiment in democracy. Could a people really govern themselves?

In the centuries since, the Constitution has grown with the times. It has taken more than two hundred years for the ideals in the Constitution and the Declaration of Independence to be more fully realized. When the Constitution was written, its first three words, “We the People,” did not mean every person in the United States. It did not mean women, enslaved people, or Native Americans.

Yet as the country grew, the Constitution slowly opened its arms to include more people, sometimes after the heat of battle. After the Civil War, for example, the Constitution was amended to free enslaved people and give Black American men the vote. But women were still left out. That changed in 1920 when the Nineteenth Amendment gave women the right to vote. The amendment expanded their political power.



The Fifteenth Amendment, added to the Constitution after the Civil War, gave Black American men the right to vote.

Still, not everyone enjoyed the blessings of liberty. The government removed Indigenous people from their homelands and forced them onto reservations. Indigenous people did not become citizens until 1924. Moreover, the rights guaranteed by the Constitution were not always applied equally. Black Americans, Indigenous Americans, Asian Americans, and Latino Americans were often denied their basic rights guaranteed by the

Constitution, as were those in the LGBTQ community. Each group has fought for decades to secure those rights, sometimes with great success and other times not.

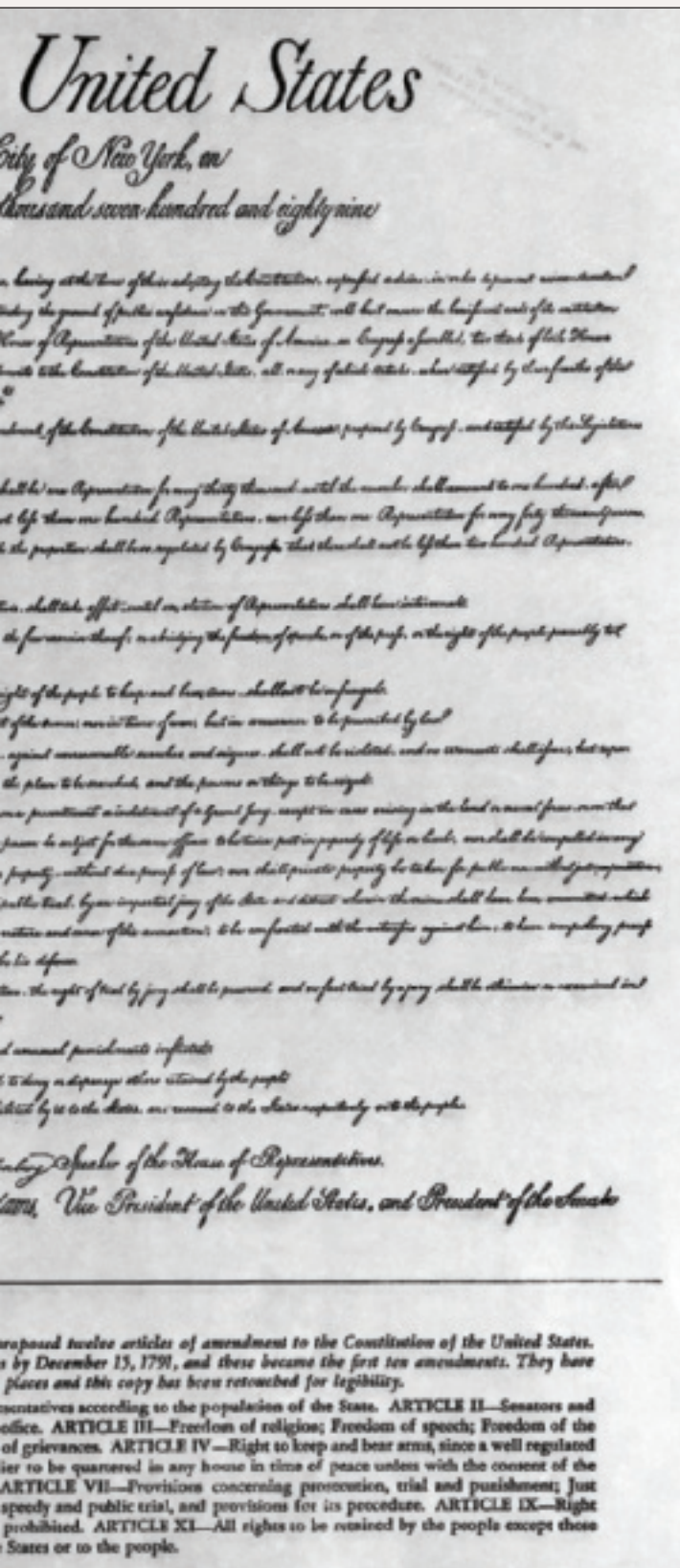
Find Out the Facts



Find out how different groups, including Black Americans, women, Latino Americans, Asian Americans, and the LGBTQ community, fought to secure their rights guaranteed by the Constitution.

Responsibilities

26

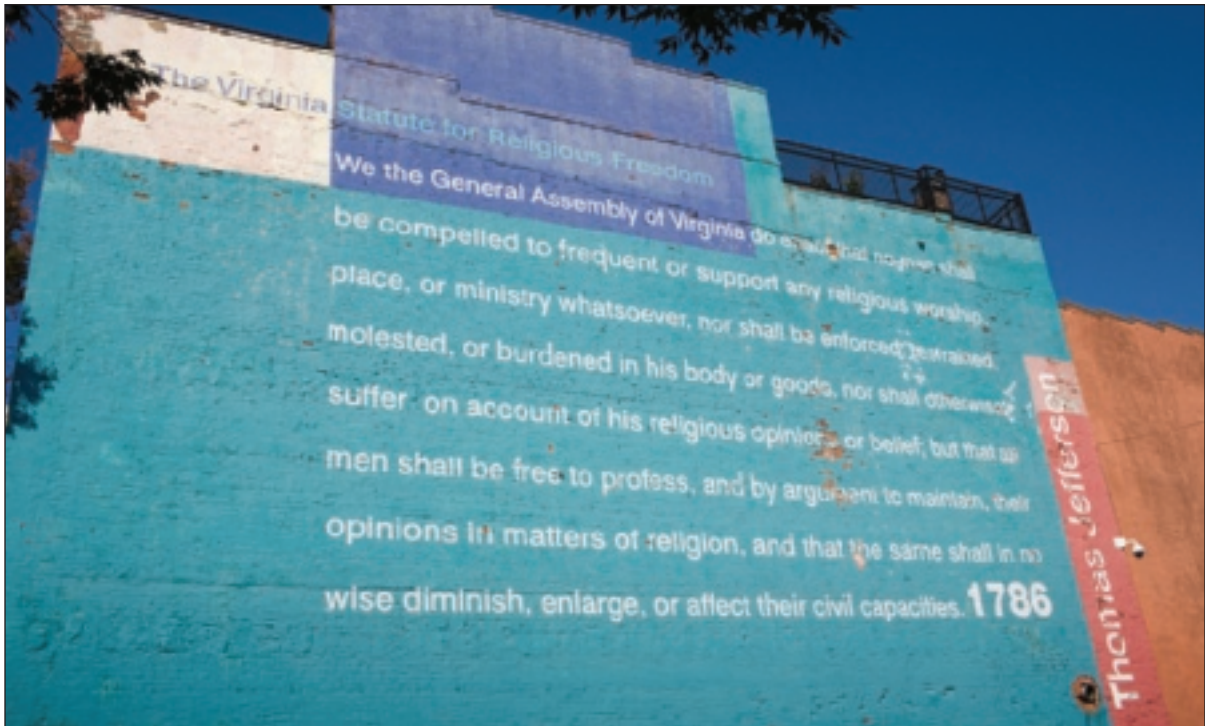


All eyes were on the states with the largest populations, including Massachusetts and Virginia. If their conventions voted for ratification, chances were that other states would follow. John Hancock, a Boston merchant and a signer of the Declaration of Independence, made it his mission to get his home state of Massachusetts to agree. He made a promise: if Massachusetts supported the Constitution, he would make sure it contained a bill of rights.

The delegates took Hancock at his word and voted in favor of ratification. Other states followed, including Virginia. By May 1790, every state had approved the document. James Madison, the Father of the Constitution, wrote ten amendments, which are now known as the Bill of Rights.

The Bill of Rights did many things. It guaranteed freedom of speech, freedom of assembly, and freedom of the press. The Bill of Rights also protected against unreasonable search and seizure of property by the government and made sure those charged with a crime would be judged by a jury of their peers.

The Bill of Rights also separated religion and government, another unique concept borrowed from the Enlightenment. Throughout history, governments and religion were often intertwined, each one using the other for



The Virginia Statute for Religious Freedom helped establish the idea that there should be a separation between church and state.

its own political and social goals. The Bill of Rights built on the Virginia Statute for Religious Freedom, which had been passed in 1786. The statute, authored by Thomas Jefferson, protected citizens from a state-established religion and led to the principle of American religious freedom.

The rights and freedoms contained in the Bill of Rights are an important pillar of American democracy. There are some limitations on its freedoms, however. For example, while the Constitution guarantees freedom of speech, some categories of speech that can cause harm to others—such as calling for a riot, defaming others,

or threatening another person—are not protected. A free press is critical in a democracy, as it acts as a government watchdog. While the press is free to publish what it wants, it cannot publish **libelous** content.

Vocabulary

libelous, adj. relating to a statement that unfairly harms a person's reputation

Think Twice



What does the author mean by this sentence: "The rights and freedoms contained in the Bill of Rights are an important pillar of American democracy"?

Amendment	Protections, Freedoms, and Rights
First	Freedoms of religion, speech, press, assembly, and petition
Second	The right to bear arms
Third	Prohibition of the billeting of soldiers in private homes in peacetime without the owner's consent
Fourth	Protection against unreasonable searches and seizures of property and issuing of warrants without probable cause
Fifth	Protection against arrests without indictment; double jeopardy; self-incrimination; deprivation of life, liberty, or property without due process of law; and property seizure for public use without just compensation
Sixth	The rights to a speedy public trial, an impartial jury, confrontation of witnesses against you, the calling of witnesses on your behalf, and legal counsel
Seventh	The right to a jury of your peers
Eighth	Protection against excessive bail or fines and cruel or unusual punishment
Ninth	Statement that rights granted by the Constitution shall not infringe on other rights
Tenth	Reservation of powers not delegated to the United States by the Constitution to the states or the people



Think Twice



What rights have been most prominent in American thinking and debates? What new ideas of rights have been advocated and debated?



Other Rights

As the years passed, the rights and protections guaranteed by the Constitution were expanded. After

the Civil War, for example, the nation ratified the Thirteenth Amendment, abolishing slavery. In 1868, three years after the war ended, the Fourteenth Amendment granted citizenship to "All persons born or naturalized in the United States." Newly freed slaves were now considered citizens. The Fifteenth Amendment, passed in 1870, prevented the federal government from infringing on a citizen's right to vote "on account of race, color, or previous condition of



Women fought for the right to vote in the early twentieth century.

servitude.” That meant formerly enslaved men had the right to vote, but women still did not. In 1920, though, the nation ratified the Nineteenth Amendment, extending that right to women. In 1971, the Twenty-Sixth Amendment lowered the voting age to eighteen from twenty-one.



Think Twice



How has civic participation changed throughout American history? How has it stayed the same?



Citizenship

The rights of citizenship have expanded to more Americans throughout the nation’s history. Initially, only white male property owners had the full rights of citizenship, including the right to vote. Laws favored the rights of men over women. Women were citizens but had limited rights. They could not vote, and their legal status was often based on marriage. Married women,

for example, couldn't own property, nor could they enter into contracts. Husbands had these rights over their wives. In some states, free Black men were citizens, but free Black women, enslaved people, and Indigenous people were not.

The Constitution gave Congress the responsibility of determining the rules of citizenship. Congress has both granted and denied citizenship to various groups throughout American history. After the Civil War, for example, those who were once enslaved became citizens. For most of American history, Indigenous people were

not considered citizens. The Constitution only mentions "Indian" tribes three times. Indigenous people were not to be counted as part of congressional representation, for example. The Constitution also gave Congress the power to regulate commerce with Native American nations and to sign treaties with them, saying that Native nations were sovereign and not part of the United States.

The U.S. government often treated Indigenous tribes harshly, however. It broke many treaties and forced many groups to abandon their ancestral lands for new



President Calvin Coolidge signed a bill in 1924 that gave Indigenous people full citizenship rights for the first time.

homes on government-run reservations. Congress finally granted citizenship to Indigenous Americans in 1924.



Think Twice



How have the different legal statuses of different sections of the American population affected the development of the United States over time?



Find Out the Facts

Find out more about how the U.S. government treated Indigenous nations throughout its history.

Today, any person born in the United States is a citizen. This is called birthright citizenship. Moreover, a person born in another country is a U.S. citizen if one or both parents are U.S. citizens. Immigrants can apply to become citizens through a **naturalization** process.

Vocabulary

naturalization, n. the process of becoming a citizen of a country if born outside that country



Civic Responsibilities

Regardless of how a person becomes a citizen, they have certain obligations. Some are clearly spelled out in the Constitution

or by law. Citizens, for example, are required to sit on juries, pay taxes, and obey the law. Men aged eighteen and over are required to register for the Selective Service, which provides service members for the military in the case of a draft.

Citizenship also comes with responsibilities that aren't mandatory. In a democracy, citizens should stay informed on public and civic issues so they can help set public policy. Citizens can do this in a variety of ways, such as attending and participating in public meetings, becoming an activist for a particular cause, or running for political office.

To promote the public good, citizens are expected to respect the rights of others. Being a thoughtful citizen includes helping others as a volunteer in charitable organizations, hospitals, or food pantries, for example.

Think Twice



How do civil dialogue, investigation and analysis of issues, and civic action that is authentic, informed, and responsible strengthen American constitutional democracy?



to choose their leaders on the local, state, and federal levels. It's a way that citizens can make their voices heard. As you have read, throughout American history, various groups were denied the right to vote. But voting is a fundamental right. For a democracy to function, citizens must participate. A democracy is not a democracy if the majority of citizens do not vote.

Find Out the Facts



Become an informed citizen.
What issues in current elections or local, state, national, or international decision-making are of most interest to you?

Writers' Corner



Write a speech about an issue you feel passionate about, explaining what the problem is and how it might be fixed.



Voting gives people a say in what their government does.

Chapter 5

The Structure of the U.S. Government

The Big Question

What are the leading principles and values guiding our ideas of good government?



Three Branches of Government

The Constitution organizes the government of the United States into three distinct branches: legislative, executive, and judicial. They are called coequal, as no one branch is more important or more powerful than any of the others. Each checks the power of the others.

The division of government power, known as separation of powers, was another idea the Framers borrowed from the ideas of Enlightenment thinkers. Originally proposed by the Baron de Montesquieu,



The president of the United States updates Congress on the state of the union every year.



separation of powers was meant to promote and protect individual liberty and to rein in powerful leaders. The Framers adopted Montesquieu's idea during their drafting of the Constitution.



The Legislative Branch

The Framers devoted Article I of the Constitution to the legislative branch, which they believed reflected the will of the people more than the judicial and executive branches. As you have read, Article I split the legislature into two chambers: the House of Representatives and the Senate. The Constitution gave Congress certain **enumerated powers**, including the powers to make laws, declare war, regulate commerce, and borrow money.

Vocabulary

enumerated powers, n. those powers of the U.S. government that are specifically listed in the Constitution

The House of Representatives is often referred to as the "People's House" in part because a state's representation is based on its population. Consequently, the most populous states have more

representatives than the least populous. In 1929, the number of House members was capped at 435. Each represents a particular district in their home state. The House also includes six nonvoting delegations from the District of Columbia, Puerto Rico, American Samoa, Guam, the U.S. Virgin Islands, and the Northern Mariana Islands.

House members are elected for two-year terms. To be a member, a person must be at least twenty-five years old and a U.S. citizen. They must also have lived in the United States for at least seven years, and they must live in the state they represent at the time of the election. The Speaker of the House is the presiding officer. The Speaker is the most powerful person in the House and is generally a member of the political party that has a majority of members in the House.

The House has the “power of the purse.” In other words, all revenue and spending bills begin in the chamber. The House also has the power to impeach, or bring charges against, federal officials, including the president. The House can also break an Electoral College tie for president. That has happened only a few times in U.S. history.

The Senate comprises one hundred senators, two from each state. At first, state legislatures, not voters, selected senators. That changed with the passage of the

Seventeenth Amendment in 1913, which provided for the direct election of senators in each state. Senators serve six-year terms. One-third of the Senate is elected every two years. To be a senator, a person must be at least thirty years old, a U.S. citizen who has lived in the United States for at least nine years, and a resident of the state they represent at the time of the election.

The vice president of the United States presides over the Senate. The vice president has no power except to cast a tie-breaking vote. As with the House, the Constitution gives the Senate specific powers. For example, it has the power to confirm presidential appointments and ratify treaties with foreign governments. If the House impeaches a federal official, that official will be asked to stand trial in the Senate. If found guilty by two-thirds of senators, the impeached official is removed from office.

The House and the Senate must work together to pass legislation. Proposed laws, referred to as bills, can originate in either chamber, except for bills involving taxation.

Appropriations bills typically begin in the

Vocabulary

appropriation, n. money devoted to a particular purpose, such as a function of government

House too, but the Constitution doesn't require this. After a bill is introduced, it goes through various committees before a full vote is taken. Bills must pass both chambers and then be signed by the president before becoming law.

Part of Congress's job is to pass a **budget** each year to keep the government funded. Congress can **levy** taxes to pay for government services, such as running the military or funding social programs. Congress can also impose duties on imported goods and borrow money.

Oversight is another function of the legislative branch, especially when it comes

to reviewing the policies of the executive branch. Congress has investigative power and can require people to testify and give evidence. **Hearings** are another way Congress can hold the other branches of government—and itself—accountable.

Vocabulary

budget, n. an amount of money available for spending based on a plan for how it will be spent

levy, v. to impose

oversight, n. the action of watching over something

hearing, n. a meeting in which testimony is heard from witnesses



Congress holds oversight hearings to hold itself and other branches of government accountable for their actions.



The Executive Branch

Article II of the Constitution outlines the powers of the executive branch and its chief executive—the president of the United States. As the chief executive, the president decides how laws are to be enforced. The president also appoints cabinet secretaries, judges, and ambassadors and negotiates treaties. The Constitution requires presidents to give an update on the state of the nation “from time to time” and gives them the power to veto laws passed by Congress. Congress can, however, override a veto. Presidents can also pardon criminals convicted of federal crimes and issue **executive orders** to shape policy. Executive orders have the effect of law, essentially circumventing the lawmaking authority of Congress. However, a subsequent president can rescind a former president’s executive order.

Vocabulary

executive order, n. a decision made by an executive head of government, such as a president, that has the force of law

In addition to service as chief executive, the president also acts as head of state, commander in chief of the military, and head of government. As head of state, the president represents the United States on the international stage. As commander in chief, the president runs the armed forces, although it is the job of Congress to declare war. As head of government, the president ensures that laws passed by Congress are carried out.

The president is assisted by the various departments and agencies that make up the executive branch. The leaders of many of these departments and agencies make up a panel of advisors called the cabinet. Members of the cabinet serve at the president’s request and can be removed by the president.

Find Out the Facts



Find out who the current members of the president’s cabinet are.

A president’s term lasts four years. A president cannot serve more than two terms and must be a natural-born citizen and at least thirty-five years old. Presidential candidates also must have lived in the United States for at least



The president talks to members of the cabinet for help in making decisions.

fourteen years. Although citizens vote in presidential elections, the president isn't chosen by **popular vote**. Instead, the Framers created the **Electoral College** to choose the president. The vote of the Electoral College does not always

match the outcome of the popular vote. For example, Donald Trump became president in 2016 despite losing the popular vote.

During a presidential election, people in each state actually vote for slates of electors who make up the Electoral College. In most states, the candidate who receives the most votes wins all of that state's electors. The number of electors in each state is based on the number of representatives in Congress. Texas, which has a huge congressional delegation, has

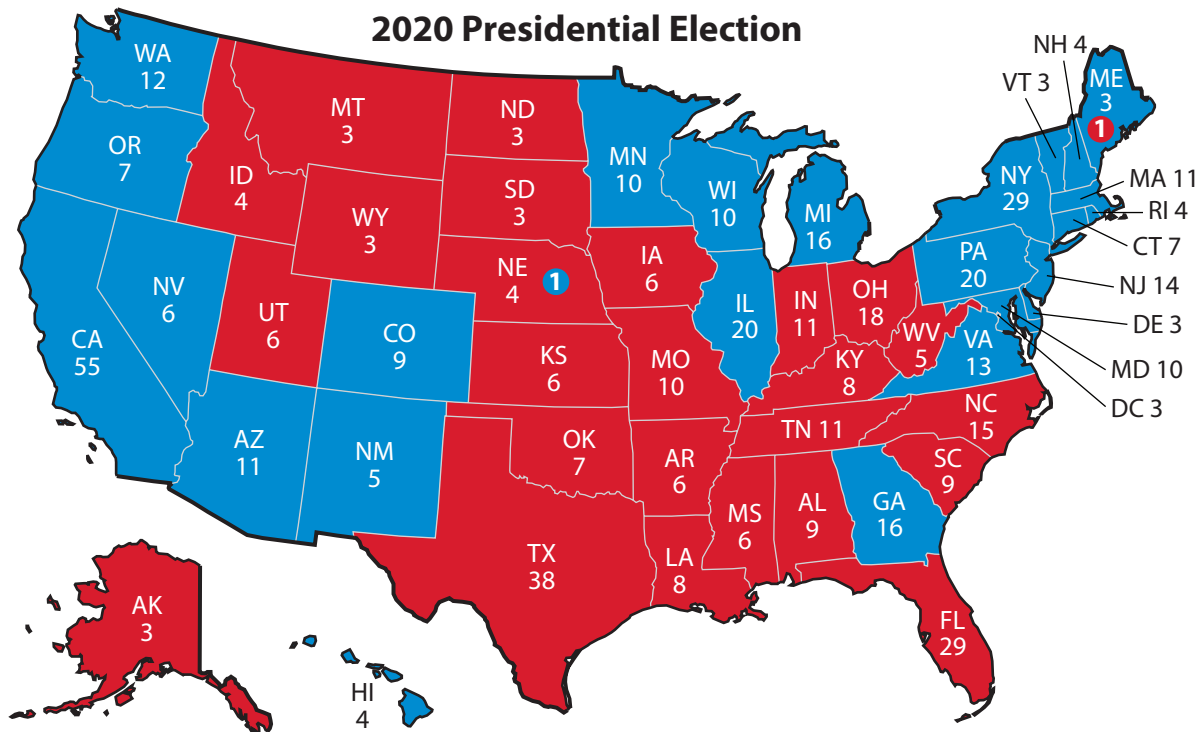
Vocabulary


popular vote, n. the results of an election based on individual ballots cast by citizens

Electoral College, n. a group of representatives who elect the president and vice president based on the popular vote in each state

Biden (D) 306

232 Trump (R)



 Biden (Democrat)
306 electoral votes

 Trump (Republican)
232 electoral votes

In the 2020 election, Joseph Biden won the Electoral College vote against Donald Trump.

more electoral votes (thirty-eight) than Connecticut (seven). The person who becomes president needs to win two-thirds of all the states' electoral votes—270.

Writers' Corner

Research the Electoral College and electoral systems around the world, and write an essay giving your opinion on whether the Electoral College is the best way to choose the president.



The Judicial Branch

Article III of the Constitution created the judicial branch as one Supreme Court but allowed for lower courts to be established by Congress. Congress can create or abolish courts, add to or subtract from the number of judges in the federal system, and determine the jurisdiction of the courts.

The Supreme Court sits at the top of the judicial pyramid that includes circuit courts and district courts. Nine justices sit on the Supreme Court. They serve for life, and like other federal judges, Supreme Court justices can be removed through impeachment. The chief justice is the head of the Supreme Court and presides when the court is in session. The chief justice can also determine which justice should write the opinion when a ruling has been made on a case.

The Supreme Court primarily hears **appeals** from federal and state courts. It decides

which cases it wants to hear. Usually, the court will hear a case if there is an overriding constitutional issue that needs to be decided or clarified. In some cases, such as those that involve conflict between states, the Constitution gives the Supreme Court **original jurisdiction**. This means that no other court can hear the case.

The Supreme Court has the final say on whether or not a law adheres to the Constitution.



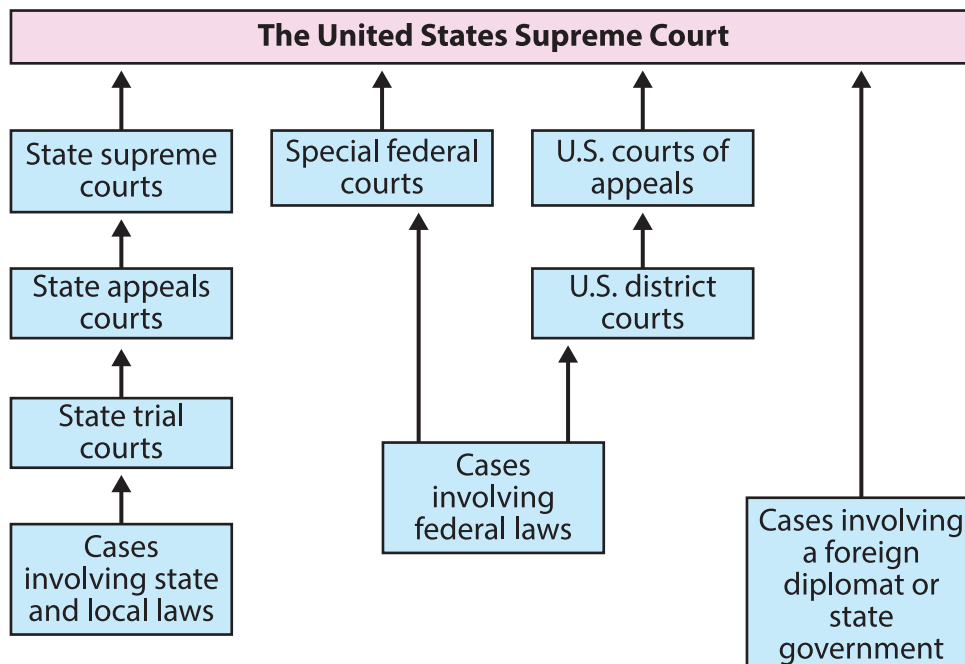
Find Out the Facts

Find out who the current Supreme Court justices are.

Vocabulary

appeal, n. the process of bringing a legal case in front of a higher court to review the decision of the lower court

original jurisdiction, n. the power to review a legal case and apply the law



The United States judiciary is composed of many levels.

Chapter 6

The Federal System

The Big Question

What is federalism, and what principles define it? What is its value, and what are its challenges?



Federalism

Why are there multiple levels of government in the United States? Why is it that a couple married in Wisconsin is still married when they move to Arizona? Is a driver's license from Vermont still valid in California? The principle of federalism, a system of shared power between the national and state governments, answers all these questions.

Federalism is not explicitly mentioned in the Constitution. But the concept of the federal government sharing power with the states can be found throughout the document. The idea was born because the



Governments from each state meet in their capitol buildings, such as this one in Tallahassee, Florida.



Articles of Confederation had given the states so much power over the central government that it virtually made each state an independent nation. The Framers tried to remedy this by striking a delicate balance between the two. Fearful of a strong national government, the Framers denied it certain powers. In fact, the Tenth Amendment says that the federal government has only those powers written in the Constitution. Other powers, called **reserved powers**, are left to the states. At times, the powers of the states and the federal government intersect. These are known as **concurrent powers**.

The Constitution's Article IV addresses the federal government's relationship with the states. It also discusses the states' relationships with one another. One section says that states must respect each other's laws, courts, and more.

Vocabulary

reserved powers, n. powers in the U.S. federal system of government that belong to the states rather than the federal government

concurrent powers, n. powers in the U.S. federal system of government that are shared by the state and federal governments

That's why a couple married in Wisconsin is still married in Arizona. It's also why a Vermont driver's license is valid in California.

Another section of the Constitution includes what's known as the supremacy clause. This clause says that when federal and state law are in conflict, federal law takes precedence over state law every time. This gives the federal government the power to act as an umpire when two states disagree.



State Governments

How do state governments work?

Pretty much the same way the federal government works. Each state has a governor. The governor is the chief executive who runs the executive branch.

The power of the governor varies from state to state but generally mimics the power of the U.S. president in many ways.

The governor enforces the laws passed by that state's legislature. Governors set and implement policy through executive orders, budgets, and the signing of bills.

Like the president, governors can veto laws passed by the legislature. Governors can also appoint people—with legislative approval—to government agencies.

In some states, governors appoint judges to the bench. All governors work with a group of advisors in a cabinet.

Governors work with their state's legislature to set policy. Except for Nebraska, every state has a bicameral legislature. California's bicameral state legislature has a forty-member senate and an eighty-member assembly. Any legislator can introduce a bill to become a law. Bills can be introduced in both the senate and the assembly. Before it becomes law, however, the bill must pass both houses and be signed by the governor.



Find Out the Facts

Look up your own state's legislature. How is it structured? How many members does it have? Who are your representatives in the state legislature?

State governments typically have a more direct impact on citizens' daily lives than the federal government does. Each state has its own police force, for example. State workers fix bridges, build schools, and fill in potholes. Each state issues marriage licenses, death certificates, and driver's licenses. States can also create towns, villages, counties, parks, and scenic roadways.

Each state can regulate businesses within its borders. In many states, barbershops and nail salons cannot open until the state issues them a license. If a tree is about to fall on a state road, workers from the state public works department or transportation department will cut it down. If there is a natural disaster, the governor will often call out the National Guard to help.

State officials also implement many policies. They distribute aid to the economically



Lawmakers from the California State Assembly discuss and vote on bills in the legislative chamber in the state capitol.

disadvantaged or provide medical coverage for the uninsured. To fund state programs, legislatures can raise taxes, such as a sales tax or a state income tax. States get money from other sources, too. They can implement fees for fishing or hunting licenses or collect tolls on roadways.

States must also administer **mandates** from the federal government. For example, in 2001, Congress passed the No Child Left Behind Act. It required states to develop and administer standardized tests for students. The federal government also provides money for the building of bridges, hospitals, roads, and other **infrastructure**. To get that money, states must abide by certain federal rules. In fact, federal money is a big part of many state budgets.

Vocabulary

mandate, n. a command; a responsibility given by an authority

infrastructure, n. the public works system that includes roads, bridges, water, public transportation, etc.



Local Governments

Local governments come in many different sizes. These include county

governments. Counties have their own borders. Cities, towns, and villages can be located within those borders. Cities, towns, and villages each have their own governments. In addition, there are special units like school districts and historic districts that have the authority to regulate matters within a specified area. Local governments are often funded by local taxes, building permit fees, funding from the state, the issuance of licenses, the levying of taxes, and more.

Local governments derive power from a variety of sources, including state constitutions, state laws, charters, and local **ordinances**. The organization of each local government generally follows that of federal and state governments. For example, each community has a law- or policy-making body elected by the people. In a city, it might be a common council or a city council. In a town, it could be a town board or a board of selectpeople. County governments sometimes include a legislature or a commission. Members of school boards make decisions for local school districts. In some towns,

Vocabulary

ordinance, n. a law or government rule

town meetings are the main legislative body. At these meetings, groups of people gather to vote on measures of public concern.

The role of local governments varies from place to place and from circumstance to circumstance. A school board, for example, is responsible for implementing education policy in a school district. The responsibilities of a local council in a village or a town may include cleaning streets, sweeping sidewalks, or keeping the lamps lit on the streets. Local boards

and commissions can pass ordinances to regulate a variety of activities. One town may require all dogs to be leashed in public parks, for example. Another may approve keeping livestock on private property.

Like state and federal governments, local governments have chief executives, such as mayors or village presidents. Some of these executives are elected. A town or city may have an elected mayor, but it might also have a town manager who runs the community's day-to-day operations.



Local governments plow roads to help people safely travel after a snowstorm.

Local government has the greatest effect on people's daily lives of all levels of government. Local governments fund (sometimes with state and federal help) police, fire, and emergency services. Local governments can build schools and parks, pave roads, and plow streets. They can regulate where homes are built. Local officials inspect restaurants for cleanliness and new homes for safe construction practices. Local governments are responsible for wastewater systems, water systems, and local roads, too.

Like other levels of government, local governments provide avenues for citizen involvement. People often serve on local boards for no pay. They make decisions on **zoning** regulations or the building of new parks. Local government meetings often have time set aside for regular citizens to comment on civic matters.

Vocabulary

zoning, n. the act of organizing a place into different areas with specific purposes

Like state and federal bureaucracies, local governments include various departments. A department of public

works, for example, may run the local landfill or pick up trash. The tax collector collects property taxes that help fund community projects. The assessor's office calculates how much tax a person pays on their home. Some department heads are appointed. Others are elected by voters. Most officials who sit on boards and commissions live in the community they serve.

Think Twice

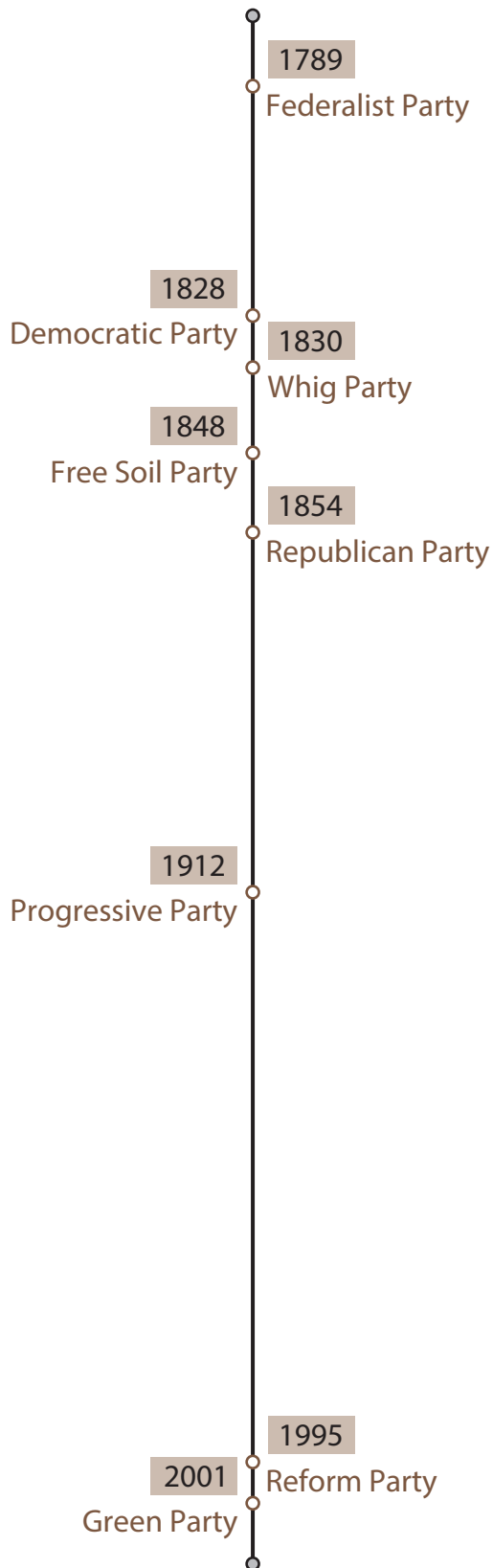


In what ways might local governments come into conflict with state governments?



Political Parties

Today, the U.S. political system at all levels of government is shaped by political parties. Political parties are not mentioned in the Constitution, but their roots can be found in the Constitution's ratification debate. The Federalists, led by Alexander Hamilton and James Madison, wanted a strong central government. The Anti-Federalists, such as Thomas Jefferson, wanted just the opposite. The Federalists and Anti-Federalists no longer exist, and other parties have come and



gone in U.S. history. Today, the United States has two major political parties—the Democratic Party and the Republican Party—and a variety of smaller third parties, such as the Green Party and the Libertarian Party.

Think Twice



Why do you think some parties in the United States endured while others have not?

All political parties have some things in common. They are composed of like-minded people whose sole purpose is to win elections, control government, and bend public policy. Each fields candidates for elected offices. The views and goals of their candidates typically align with the rest of the party. When a political party has power, its members work together to pass new laws or change old ones.

Political parties are highly organized on national, state, and local levels. All have the same goal—to win elections and control government and its policies. The major political parties have national, state, and local committees whose job is to field candidates for office and help them win elections. Each party

explains its values, beliefs, and policy proposals in a **platform**. Platforms are publicly available for anyone to read and review.

Vocabulary

platform, n. the policies supported by a political party



Find Out the Facts

Look up the platforms of the Democratic, Republican, Green, and Libertarian Parties. Do any of the platforms align with your own values and beliefs? If so, which one(s)?

Political parties also embrace certain groups, such as labor unions, business organizations, or farmers. Each group leans toward one political party that it believes reflects its own interests. For example, a small business group might support a party for its views on government regulation. A labor **union** might support a party for its views on raising the minimum wage. Teacher organizations often support the party that has their best interests at heart. These groups help elect candidates by raising money, buying television ads, or going door-to-door in support of a candidate.

It is not required that a voter join a particular political party. Unaffiliated or independent voters, for example, have no allegiance to any party. The number of independent voters is growing, but the political landscape is still dominated by the two major parties.



Political Parties in Power

Political parties play a significant role in how the government functions because the people who serve try to advance the goals of their party. Members of Congress who belong to the Democratic Party might want to expand access to health care, for example. Republicans might try to reduce the taxes that people pay. Their policy goals influence the legislation that they try to get passed.

Vocabulary

union, n. an organization of workers that bargains with employers for better pay and working conditions

The party that is the majority in either chamber determines who has control of that chamber. If, for example, fifty-one of the Senate's one hundred members are Democrats, their party's leaders will

determine which legislation will receive a vote. They also decide who will be in control of committees such as the Judiciary, Armed Services, and Budget Committees. These committees are small groups that decide whether a proposed bill should be considered by everybody in the full chamber. When the same party controls both the Senate and the House of Representatives, legislation is easier to pass. If different parties control the chambers, legislation might pass the Senate but fail to pass in the House of Representatives.

The party that the president belongs to influences whether a bill becomes law.

When completely controlled by the same party, Congress could pass a law that a president belonging to the opposite party might decide to veto. The party of the president is also a factor in the foreign policy of the country.

Writers' Corner

Create a presentation in which you propose a new political party. In your presentation, discuss what issues you want your new party to stand for, and explain how your party would be different from existing political parties.



The symbol of the Democratic Party is a donkey, and the symbol of the Republican Party is an elephant.

Glossary

A

appeal, n. the process of bringing a legal case in front of a higher court to review the decision of the lower court (41)

appropriation, n. money devoted to a particular purpose, such as a function of government (36)

aristocracy, n. a hereditary ruling class of nobles (4)

assembly, n. a group of people; in ancient Athens, the lawmaking body (5)

B

bicameral, adj. made up of two chambers (21)

budget, n. an amount of money available for spending based on a plan for how it will be spent (75)

C

city-state, n. a city that is an independent political state with its own ruling government (4)

concurrent powers, n. powers in the U.S. federal system of government that are shared by the state and federal governments (44)

D

democracy, n. a form of government in which people choose their leaders (4)

dictator, n. a ruler who has total control over a country (7)

E

Electoral College, n. a group of representatives who elect the president and vice president based on the popular vote in each state (39)

enumerated powers, n. those powers of the U.S. government that are specifically listed in the Constitution (35)

executive order, n. a decision made by an executive head of government, such as a president, that has the force of law (38)

H

hearing, n. a meeting in which testimony is heard from witnesses (37)

I

infrastructure, n. the public works system that includes roads, bridges, water, public transportation, etc. (46)

J

jury, n. a group of people who listen to information presented during a trial in a court and make decisions about whether or not someone is guilty (6)

L

levy, v. to impose (37)

libelous, adj. relating to a statement that unfairly harms a person's reputation (28)

M

mandate, n. a command; a responsibility given by an authority (46)

monarchy, n. a government with a hereditary head of state whose powers range from limited to absolute (6)

N

naturalization, n. the process of becoming a citizen of a country if born outside that country (32)

O

oligarchy, n. a government controlled by a small group of people from aristocratic and wealthy nonaristocratic families (7)

ordinance, n. a law or government rule (46)

original jurisdiction, n. the power to review a legal case and apply the law (41)

oversight, n. the action of watching over something (37)

P

platform, n. the policies supported by a political party (50)

popular sovereignty, n. the principle that people create the government and the government is subject to the people's will (20)

popular vote, n. the results of an election based on individual ballots cast by citizens (39)

public policy, n. a set of government steps for how something is done (9)

R

ratify, v. to approve (16)

republic, n. a government in which people elect representatives to rule for them (6)

reserved powers, n. powers in the U.S. federal system of government that belong to the states rather than the federal government (44)

rule of law, n. the principle that all people in a society, including its leaders, must obey the law (20)

S

social contract, n. an agreement made by the people to sacrifice certain freedoms in exchange for protections by their government (19)

T

tax, n. money that people are required to pay to support the workings of the government (12)

theocracy, n. a system of government ruled by religious leaders (7)

totalitarian, adj. relating to a system in which the government controls the people completely (6)

U

unicameral, adj. made up of one chamber (21)

union, n. an organization of workers that bargains with employers for better pay and working conditions (50)

V

veto, v. to reject (22)

Z

zoning, n. the act of organizing a place into different areas with specific purposes (48)



ECONOMICS IN U.S. HISTORY



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Chapter 1

What Is an Economy?

The Big Question

How do communities meet their needs and wants?



Needs and Wants

Have you bought something at a store recently? How much did you need what you purchased? Or was it something that you could have lived without? Did you buy it because you simply wanted to have it? People buy many different things every day, but every purchase they make can be placed into one of two categories: items they need and items they want.

A need is something people require to sustain life. For example, food, shelter, and clothing have always been considered the items that people need more than anything else. Over time, education has also come to be considered a need



People go to grocery stores to buy food, which is a basic need.



because it allows people to reach their greatest potential and helps society. Health care is also a need because it improves a person's quality of life and can provide lifesaving treatment.

Most other items are wants, or items that people enjoy having but are not necessary for their survival. While everyone around the world has the same basic survival needs, wants vary among people, cultures, and locations. Together, needs and wants determine the items and services that drive an **economy**.

Vocabulary

economy, n. the way a country manages its money and resources to produce, buy, and sell goods and services

It can be easy to categorize needs and wants incorrectly because they vary according to individual characteristics, stage of life, and cultural factors. There are also wants that a person becomes so accustomed to that they appear to be equivalent to needs. These might include a premium cable television subscription or an annual vacation. Just because a purchase is an expectation does not mean that it is a true need. Differentiating between wants and needs becomes critical when making

purchasing decisions. To pay for our needs, we must have money. People require money to pay rent or a **mortgage** payment because shelter is a need. Money is also needed for the cost of **commuting** to work, whether in a car or on public transportation; for buying or growing food; and for access to health care providers and medication. Wants are things that we can live without, such as a gym membership, restaurant meals, various kinds of entertainment such as movies or concerts, or the newest phone.



Every day, millions of Americans rely on public transportation to get to work or school.

Vocabulary

mortgage, n. a legal agreement in which a person borrows money to buy a house and pays back the money over time

commute, v. to travel regularly to and from a place of work



Resources

All needs and wants are produced using resources. Resources are a stock or supply of something used to create a new product or service that meets human needs and wants. There are different types of resources, including natural, **capital**, and human resources.

Natural resources come from nature and cannot be produced by humans. Examples of natural resources include water, vegetables, and animals. Sunlight, wind, and wood are examples of renewable natural resources because they replenish themselves and will not run out. **Raw materials**, which are natural resources that need to be processed before use, include minerals, metals, and fossil fuels such as oil and coal. After oil is removed from underground, for example, it is refined for use as a fuel or to make other products such as plastic and rubber. Minerals and oil are nonrenewable resources because they will eventually run out.

Capital resources are items that are required to create goods or provide services. Capital resources include money, tools, machinery, workplaces, and equipment.

Vocabulary

capital, n. money needed to pay for a workforce, machinery, and other equipment to support the development and growth of a business

raw materials, n. substances used in the primary production or manufacture of goods

Human resources are the people whose skills, expertise, and time are required to produce a good or service. Human resources are necessary for the development of an economy and its businesses.

It's important to remember that some places are more likely to have certain resources than other places. For example, there are countries that have abundant mineral or oil deposits, while others have access to large bodies of water where different types of fish are plentiful. Some places have climates where coffee can grow, while others are favorable for growing wheat. Some cities or countries are more populated or have a concentration of people with advanced educations and thus have a wider range of human resources.

Imagine that you want to start a garden. Let's think about the resources that are necessary

for this project. You would need capital resources—money to buy materials and tools for growing and nurturing your plants. These tools and materials would include seeds and the shovel you would use to bury them in the soil. The seeds are a natural resource

that came from other plants, and the shovel was manufactured from metals and oil. You might also need a computer to read websites about gardening or to buy books by experts who provide suggestions on how to maintain a healthy garden. As experienced

Capital resources



Human resources



Natural resources



Just as with starting a garden, running a restaurant requires capital, human, and natural resources to make it work.

horticulturalists, people who are experts at growing gardens, the authors are considered experts in their profession. Because they are paid to write how-to books, they are considered human resources. The economic value of a worker’s skills and experience is considered human capital.



Goods and Services

People in an economy produce goods and services by using natural, human, and capital resources. Goods are **tangible** things that can be sold, like a car, and services are processes or tasks carried out by people for customers. Shoes, phones, and food are goods, while food delivery, haircuts, and the installation of a new air-conditioning system are examples of services.

Vocabulary

tangible, adj. capable of being touched

Think about the goods and services that you use every day. You wake up and get dressed, putting on clothes purchased from either a physical or an online store. You brush your teeth with toothpaste and a toothbrush that were also manufactured and purchased. Next, you put books in your backpack, which was sewn together by workers at a

factory. You might go to school on either a bus or some form of mass transit. Maybe you walk on sidewalks, which were built by the government using human resources who performed the service of pouring and shaping concrete. You arrive at school and are taught by teachers, who are also paid by your state to perform their service.

Goods	Services
Automobile	Education
Refrigerator	Public transportation
Computer	Dental exam
Furniture	Painting

Find Out the Facts



Research one of the goods that you use all the time. It could be your favorite game, your bicycle, or your toothbrush. You could look at the label on your clothes, shoes, or backpack. Using the brand name, find out where the good was most likely made and what materials were used to make it. Compare your findings with your classmates’. What are some similarities and differences that you found between the different goods that you researched?



Consumers and Producers

The economy in most communities is based on creating products and services and selling them. Consumers are people who

buy goods and services that meet their needs and wants. Everybody is a consumer who purchases products and services to meet their needs. Producers are individuals or companies who make goods or provide services. A producer might be a person who sells ice cream from a corner store or a larger company that manufactures phones in a factory. A group of companies that produce a certain type of good or service is called an industry. For example, the publishing industry makes and sells different kinds of books, and companies within the publishing industry compete for customers who will buy their products.

In every economy, producers must make decisions about what to create based on what consumers demand. If an area experiences a hotter-than-normal summer, consumers will require more energy to keep their homes cool. If this is the case, producers and providers of electricity will need to respond accordingly to that increased demand. In the entertainment industry, producers have to gauge if a movie franchise that has been popular for the past decade will still be popular or if consumers want to watch different kinds of films now. Producers and sellers have to decide how to respond to varying



Producers make goods that consumers buy from sellers.

consumer demands. After all, producers in a capitalist economy tend to fail if they spend time and money creating goods and services that consumers don't demand.

Decisions about what to produce are also based on the availability of resources in any given location. As you have learned, resources are not evenly distributed, and some places have limited amounts of certain resources, while they are abundant in others. So the basic challenge of every economy is determining what to produce, how to produce it, and for whom to produce it. Ideally, the amount of a product made will match the amount of the product that consumers demand.

How to produce something depends on several factors. Producers need to decide which raw materials to use and how. They must determine which production processes are most efficient and where the goods will be produced. How much labor is required and how much it should cost are more decisions for producers to make. They need to consider how the final product will get to consumers. Most often, producers, like farmers, manufacturers, or food service providers, will choose the method that produces the most goods in the most cost-effective manner. If a good or service does not have a market—a specific group of potential consumers

Compare how traditional, command, and market economies answer these three economic questions:



within a community—for its goods, it does not make sense for a producer to provide it.

Some producers are **entrepreneurs**, or people who start brand-new businesses. Entrepreneurs are responsible for making the decisions that you just read about: what to make, how to make it, and for whom to make it. To that end, they take initiative when it comes to deciding how to use resources. They engage human resources—employees—and decide how these people will spend their time and what they should be paid for their skill sets. Producers also make decisions about how to transport their products in a cost-effective way, as well as how to market their products to consumers.

Sometimes the most cost-effective way to produce is to **specialize** in a certain product, which simply means to focus production on one or a small number of goods to increase efficiency. This might occur in a country that makes or grows something easily, like Brazil, where coffee beans are a plentiful crop. Specialization can also occur within a region of a country. For example, in the United States, many midwestern states specialize in growing grains.

Think Twice



How is being an entrepreneur different from working at someone else's company?

Vocabulary

entrepreneur, n. a person who starts a business and is willing to risk loss in order to make money

specialize, v. to develop a specific set of skills for a single purpose



Inside and Outside Forces in the Economy

Each part of the economy relies on other parts, and this is called **interdependence**. The computer industry, for instance, features many interdependent parts, including producers, distributors, and sellers. These groups are **mutually reliant** on each other.

Vocabulary

interdependence, n. the state of being related in such a way that each needs or depends on the other

mutually reliant, adj. depending on one another for something

Think about what someone does to buy a computer. They purchase it either at an electronics store or on an online **marketplace**, which acquires it from a distributor. A distributor is a company that buys goods and sells them to customers like electronics stores.

Finally, the electronics store that sells the computer also makes money by **marking up** the price of the good, or charging more than it paid for it. The retailer must cover the costs of running a business, which include paying employees and rent. What's left over after all expenses

are paid is referred to as **profit**. When lots of people buy computers, the producers, distributors, and electronics stores have the means to keep operating and keep shelves stocked for consumers. Because of

Vocabulary

marketplace, n. an area where people go to buy, sell, and trade goods

marking up, v. increasing the price of something

profit, n. the money that is made by a business once all expenses have been paid



Coffee shops depend on companies that roast coffee beans and make coffee cups.

interdependence, the prices of goods on store shelves can **fluctuate** over time as the price of raw materials varies. An increase in the price of raw materials, for example, will force a producer or distributor to increase the price of a product.

Vocabulary

fluctuate, v. to change frequently

There are also side effects of producing and consuming goods and services that don't affect consumers directly, which are

called **externalities**. Externalities can be either positive or negative. For example, a factory that produces goods might pollute the surrounding area. This is a negative externality that causes costly harm to the environment, but it does not impact the producer or the consumer, so the cost of

Vocabulary

externality, n. a consequence of a commercial activity that affects other parties without impacting the cost of the goods



The pollution that comes from factories is a negative externality.

the goods remains the same. An example of a positive externality is the reduction of congestion on the roadways when people take public transportation instead of driving their cars.

Writers' Corner



Using the research that you conducted earlier in the chapter, write a paragraph that explains why your product is made where it is. For example, the factory where your bicycle is manufactured may be in Texas, near steel and rubber plants.



Identifying a Need

Now think about your own community. What are some of the most pressing economic issues for residents where you live? Are there senior citizens or veterans who have a hard time meeting their basic needs? Are there refugee families who have been displaced and need stability? Try to identify an issue in your community that could be improved by collaboration between residents and local government.



In Tucson, Arizona, homeless U.S. military veterans receive medical care, clothing, and haircuts.

Chapter 2

Why People Make Certain Economic Choices

The Big Question

How do people with limited resources make economic choices?



Scarcity

Imagine that you have been saving money for months because you want to buy the newest game system. You finally have enough money, so you head to the store, only to find that the game system you wanted is sold out.

Have you ever thought about why certain items sell out and others don't?

Items sell out when they are in demand—that is, when many people want them. Sometimes this is because the item is



Demand for ice cream is higher in summer than winter.



considered valuable. The value of a product will change depending on certain factors, such as where an item is being sold. Do you think ice cream could sell out on a cold day? What about hot tea on a hot day? *Scarcity* is the term used in economics for when there are not enough resources to meet people's wants and needs. A surplus is the opposite of scarcity, and it means that there is more of an item than people want or need.

Remember that resources are limited and not evenly distributed, so when an item becomes scarce due to limited resources, the price is often affected. When the supply of an item is significantly limited, producers will set a higher price because they know consumers are willing to pay more when demand is high. As a result, the value of this scarce item increases. Electricity is a good example—people are generally willing to pay higher prices for power because it is needed to run appliances, heat or cool homes, and perform necessary tasks like answering work emails on a computer. However, if an item becomes **prohibitively** expensive, some consumers will be unable to buy it.

Vocabulary

prohibitively, adv. done in a way that prevents something from happening

If electricity prices increase too much, some people will make the decision to watch less TV, use less air conditioning, or spend more time out of their home.

Sometimes a government will decide to **import** certain resources that are in low supply, which can help reduce scarcity. Then decisions are made about how to distribute and efficiently use the resources in a way that will maximize profits for companies using the resources.

have to sacrifice something else. How do you decide if that sacrifice is worth it? This decision can be made by considering the **opportunity cost** of a purchase.

For example, suppose you have a major project that needs to be completed by the end of the weekend for an upcoming science fair. Then you are invited to spend the entire weekend at the beach with friends. You want to win the science fair, but you also want to spend time with your friends. The decision you make

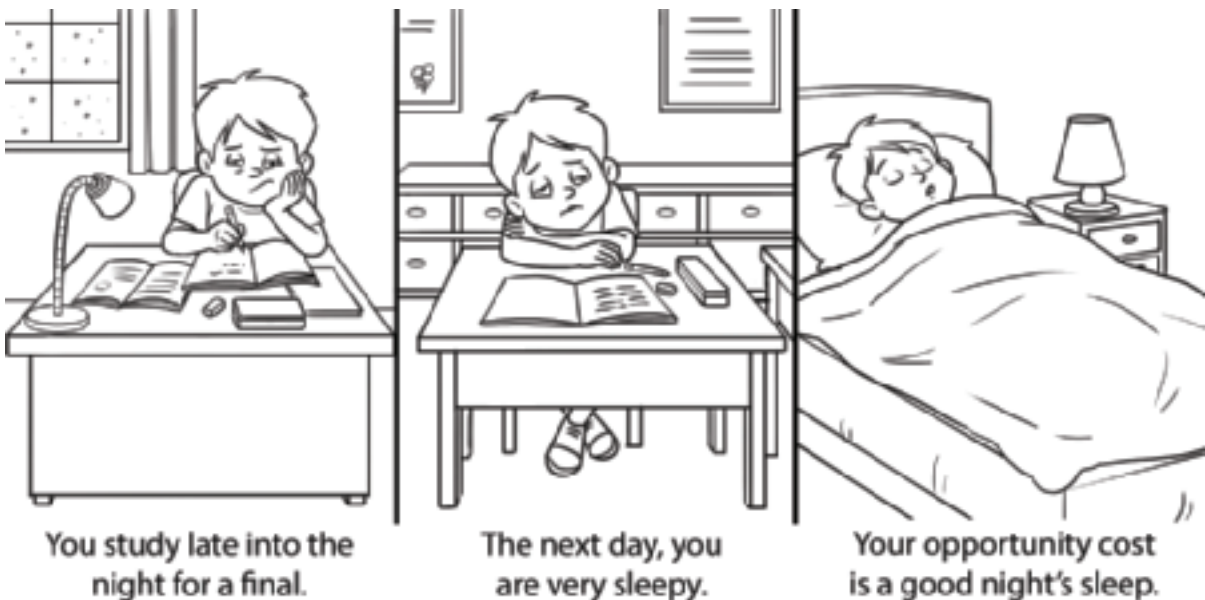
Trade-Offs and Opportunity Costs

Making decisions based on scarcity usually involves a trade-off. In economics, a trade-off means that if you choose to purchase something, you are going to

Vocabulary

import, v. to bring a product into a country to be sold there

opportunity cost, n. the value of the option that was not chosen whenever a choice is made



requires a trade-off because you cannot do both, and you have to decide what to do based on what is more valuable to you. Either decision in this trade-off has an opportunity cost. If you decide to spend the weekend working on your project, you could win the science fair, but you will miss out on time with your friends.

Businesses have to make the same types of decisions. For example, a business might have a greater-than-predicted profit in a particular year. Executives now need to decide whether to invest that profit by buying new equipment or by providing more training for their employees. Either choice involves giving up the benefits of the other choice. In business, making smart trade-offs based on opportunity costs is an efficient use of resources.

Writers' Corner



Imagine that you are an entrepreneur who is ending the year with a large profit. Write a paragraph describing the product or service your company provides and how you will use your profit to benefit your company. Would you offer professional development for employees, further streamline transport, advertise, or something else? Why?



Incentives

Incentives encourage someone to make a trade-off. An economic incentive is one that involves money as a motivation for making a decision, such as a **discount** or a coupon for an item. Say you want a new pair of earbuds and decide to buy a certain pair, and then you find out that another pair is on sale for half price. You decide to purchase the half-price earbuds because it will save you money. In this example, the opportunity cost is the pair of earbuds that was not purchased.

A basic example of an incentive in the larger economy is a salary or benefits for the work you do. A paycheck motivates people to go to work, as do benefits such as paid time off or flexibility regarding when to go into the office. The opportunity to work from home more might be an incentive to take a job with another company. There are also incentives to buy things based on social influences. Remember the game

Vocabulary

discount, n. an amount taken off a regular price

system you wanted to buy, but it sold out? You might have become interested in it because of an exceptional marketing campaign. It's possible that you were influenced by others and chose to buy it because your friends were buying it. Now you may choose to wait to purchase a game system until you see the right incentive, such as a seasonal sale.



Sales provide incentives to customers to buy certain products.

Discounts and high salaries are positive incentives because they offer something in return, but there are also negative incentives. A negative incentive occurs when a person or business experiences an undesirable outcome unless they take a certain action. An example of a negative incentive in the workplace is that you might need to work a late shift if you performed poorly at your job. An everyday example of a negative incentive is having to pay a parking ticket because of a failure to move your car before the meter expired.

Find Out the Facts



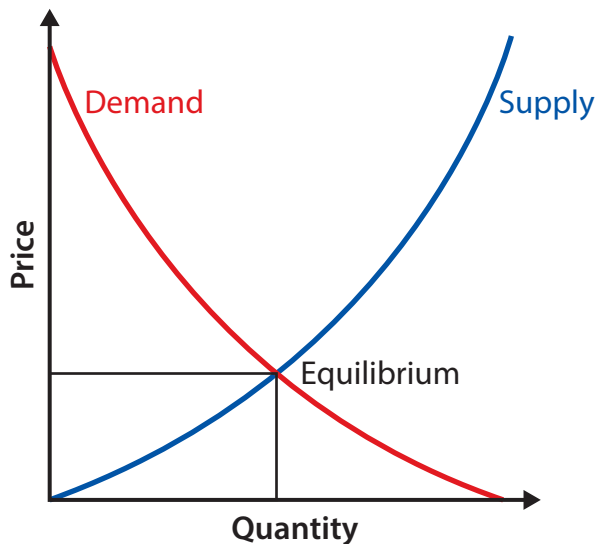
Producers would not offer consumers deals if it costs them money in the long run. Research the impact of discounts and sales on a company's bottom line.



Supply and Demand

Once again, think back to the example of the game system you wanted that was sold out. Let's explore further why this would happen. The supply of a product is the total amount that a producer offers to consumers at one time, and the demand is how much want or need exists for that product. A product sells out when the demand for it exceeds its supply. Supplies of a product may also be low if there are problems finding resources, manufacturing goods, or shipping them around the world. Supply and demand is the relationship between how much of something producers make and hope to sell and how much of it consumers are willing to buy. This relationship determines the prices of goods and services. Typically, the price of a good or service strikes a balance between how much producers want to sell the good for and how much the consumer is willing to spend. This is called

the **equilibrium price**. When supply and demand are in equilibrium in an economy, the amount of a good or service that producers are supplying is equal to the amount that consumers currently demand.



The point at which supply matches demand is called the equilibrium price.

The price for goods is not always in equilibrium, however. Let's say a raw material used to make a pair of sneakers goes up in price. The result of an increase in the price of the raw material is that the producer needs to increase the price of the end product—the sneakers. This could result in a decrease in consumer demand because people are making trade-offs based on the amount of money they are willing to spend for the sneakers. In other words, they don't want to spend that much money for the product. As a result,

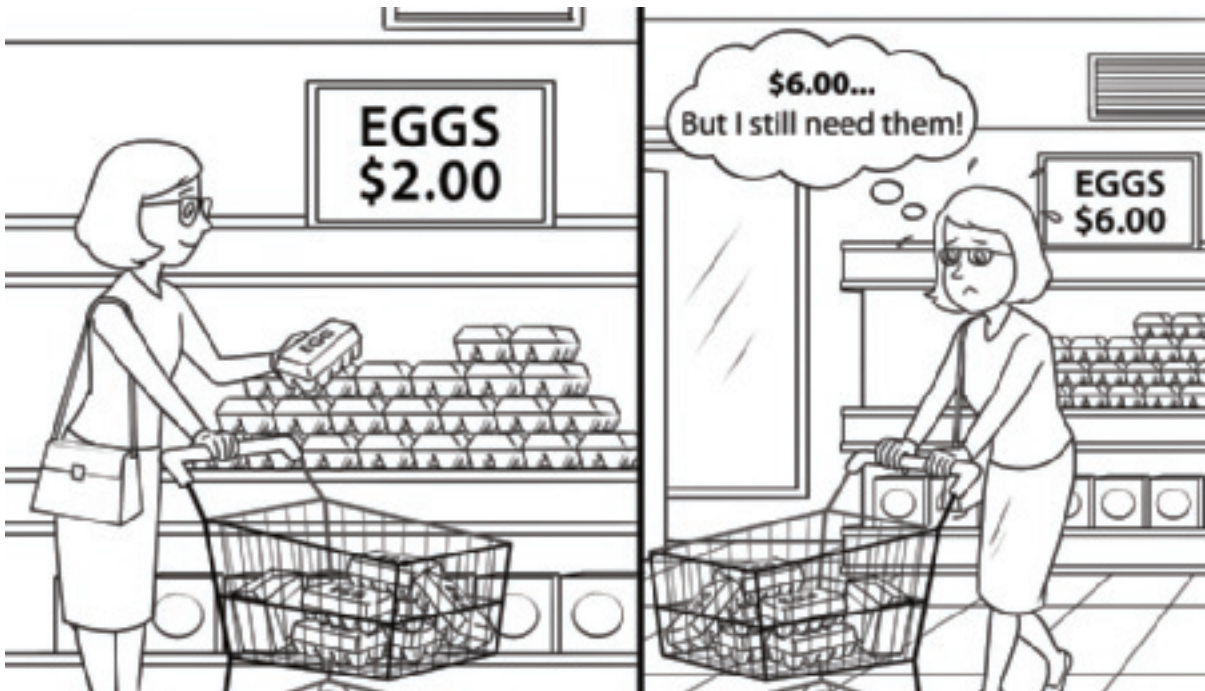
the supply of the sneakers that producers have will go up because fewer people are buying that product. Conversely, if the price of the sneakers drops, demand may go up because they become more affordable, resulting in decreased supply.

Now, supply and demand do not always move up and down in perfect proportion. Some demands are **elastic**. The elasticity of a product is the degree to which a change in price affects supply and demand. Some demands are inelastic, meaning that a change in price results in only a small change in the quantity demanded. Inelastic products include basic necessities, such as bread and milk, because it is difficult to go for too long without them. For example, even if the price of food rises, people still need to purchase it. Products with high elasticity will have larger changes in demand due to the price set by producers. A plane ticket for a leisure trip is an example of a product with a high elasticity because it is not a necessity. Most consumers are

Vocabulary

equilibrium price, n. the price at which supply equals demand

elastic, adj. able to be changed; flexible



The demand for food is inelastic because food is a need.

willing to wait until the price of a plane ticket decreases. Many factors can affect elasticity, such as income and willingness to make a trade-off.



Think Twice

Does a cruise vacation have a high or low economic elasticity? Why?

Tracking supply and demand is helpful because businesses and economists use that information to predict market conditions, and it helps consumers make buying decisions. Let's say your family needs a new car but can do without one for a while. You think your local car dealership will have a **glut** of car models

at the end of the year, when new models are delivered from manufacturers. You might decide to wait to buy a car because they will go on sale when the owner of the dealership needs to decrease inventory.

Vocabulary

glut, n. a supply of something that is much more than is needed or wanted



Budgets

Most people have a limited amount of money they can spend over the course of a week or a month, so they set a

budget. Good decision-making and smart trade-offs matter when people decide how to spend money. People generally make financial decisions based on their personal needs and wants. Some people do not want to spend large amounts of money on material things and instead choose to save their money for college or a dream vacation.

Others enjoy spending money on the latest phone or home improvement. While these decisions vary from person to person, everyone, regardless of how much money they have to spend, has to think about the most basic economic decision: how to satisfy their wants and needs with a limited amount of resources.

My Budget				
Income			Expenses	
Allowance	\$20.00		Gifts	\$5.00
Extra chores	\$5.00		Food	\$25.00
My money	\$15.00		Other	\$5.00
Total income	\$40.00		Total expenses	\$35.00
		\$5.00 Leftover money		

Planning your spending can help you save money in the long run.

Chapter 3

Exchange

The Big Question

How do people purchase goods and services?



Paying for Goods

Imagine you have a list of items you need to buy, and you have to decide how you're going to acquire them. Do you purchase the goods digitally through an app on a cell phone or at a physical store? How will you pay for them? Will you give the cashier cash? Or will you use a bank card? Today, people have several options when it comes to paying for what they purchase.

One way to get goods or services is to barter, or trade. Bartering was a primary means of exchange in earlier history. For example, in the ancient world, people



Someone might agree to paint a friend's walls in exchange for another favor. This is an example of bartering.



bartered natural resources or goods they made for different resources or goods that someone else made.

When bartering, both parties must agree that the goods or services they wish to exchange are of equal value. In a modern-day example, someone might help their friend move to a new apartment. In return, the person who received the help might cook dinner for their friend.



Think Twice

What are some of the benefits of bartering?



Money and Credit

The actual paper and coins that we use to pay for goods are so **ubiquitous** that we might not think about how they came to be. In fact, money hasn't always been paper and coins. Money is any object that is widely accepted as payment, and it has taken many different forms through the centuries. The first objects used in the Americas as money were those that were rare, such as mother-of-pearl shells. The fact that they were rare meant that **circulation** could be controlled, and they were valuable.

Vocabulary

ubiquitous, adj. seeming to be everywhere

circulation, n. the passing of something, such as money, from person to person or place to place

Money is useful for a few reasons. One is that it is always viewed by everyone as an accepted form of payment, meaning that sellers will consistently take cash in exchange for a good. Money also can be stored and keeps a stable value. For example, if you make twenty dollars today for shoveling snow from your neighbor's driveway, you can use it in two weeks to make a purchase and be confident it will still be worth the same amount. Money is also a way to easily measure the value of the products we buy. Because money is widely accepted and every product has a price attached to it, we can quickly understand the value of a good in relation to other products. This allows consumers

Find Out the Facts



Before we had paper money, different objects such as shells were used to purchase goods. Research two or three types of money that were used in Europe, Asia, or the Americas before paper bills and coins.



Money is an accepted form of payment at all stores.

to compare prices and values to make the best buying decisions.

Credit is another way to make purchases, one that involves borrowing money from a bank to pay for goods. To buy an item with credit, you can present a plastic or metal card provided by the bank or use a cell phone to access your credit account and pay digitally. If you have enough credit, you can then leave the store with your item.

Paying with credit is convenient, but you must pay back the money you borrowed when you receive your monthly credit card bill. Failure to pay the full amount

owed means that you will need to pay interest on the purchases. Interest is money paid to the bank for the convenience of having borrowed its money. For example, 10 percent interest on a \$100 credit card balance—money you borrowed but have not yet paid back—would be \$10. That means you now owe \$110 instead of \$100. Because of the interest that can be **accrued** using credit cards, they should be used with care to avoid ending up with a large debt.

Vocabulary

accrue, v. to increase in number or amount over time



Determining Value

The law of supply and demand determines the value of goods and services. Remember that the supply of goods is how much has been produced, and demand is how much need or want exists for those goods. The value, or price, of an item is determined in part by how much consumers are willing to pay for it. If resources become scarce and the price of the item increases, consumers might be willing to pay more to purchase it. Then the value of an item goes up. When there is more of a product than is needed, the price will often go down to entice consumers, which decreases the value of the item.

Some products, such as fruit, have values that change cyclically throughout the year. The **market value** of a summer fruit such as strawberries is lower in the summer because there is a high supply of them being grown and harvested. The price, and consequently the value, of strawberries increases in the winter because they cannot be grown year-round in many places, and their supply goes down.

Vocabulary

market value, n. the price that consumers are willing to pay for something

Think Twice



In general, how will the price of fresh meat fluctuate compared to the price of fresh produce?

Other factors affect the value of products as well, such as employment. When more people are steadily employed and are receiving a reliable income that comfortably covers their needs, they are more likely to make additional purchases based on their wants. High levels of employment also influence consumer confidence, which measures the feelings that people have about the state of the economy. People are more likely to make purchases when they are confident about the national economy in general as well as their personal financial future. When employment is high and there is a lot of confidence in the economy, people are more willing to spend money. They might sometimes even be willing to spend more on an item if it becomes scarce, which in turn drives up the value of the product.



Strawberries cannot be grown everywhere all year, so their value fluctuates throughout the year.



Interdependence

International trade is another aspect of the economy that helps prices maintain market value. International trade is trade

between countries. Americans have been trading with other countries since colonial times, as it allows countries to acquire goods and resources they would not otherwise have access to. This in turn expands the markets of the participating countries.

Major Exports of North American Countries



This is accomplished by importing goods or raw materials from other places. For example, the United States does not have a good climate for growing bananas. Instead, it imports bananas from other countries, such as Ecuador or Guatemala. In return, U.S. businesses export their goods and resources to other countries. For example, the United States exports medical equipment and industrial machines to other countries, such as Canada and China. International trade results in lower prices for consumers. If only a handful of countries have access to a product, and it is highly valued, the price will remain high. But trade provides global access to a product, so it can be more competitively priced.

Just as different participants in an industry can be interdependent, international trade has resulted in interdependence between countries. This means that there is a relationship among the countries whereby they depend on each other for certain goods and products. For example, the United States–Mexico–Canada Agreement (USMCA) is a trade agreement among these three countries. They depend on each other to import and export the resources,



Cargo ships carry imports and exports to and from different countries.

products, and services outlined in the agreement.

The next time you are in a store, pay attention to what you are buying and how you are paying for it. Was it made in the United States or imported from another country? Are you paying with cash or with a credit card? The way people shop affects supply and demand, and supply and demand determine a product's value. When the products people need and want are within the price range they are willing and able to pay, they experience consumer confidence. This has a positive effect on the economy.

Lowering Costs

One of the ways that businesses lower costs for consumers is by offshoring production. This is the movement of jobs

from one country to another. Typically, jobs are moved from a country with high labor costs, such as the United States, to a country where **wages** are lower. As a result of lower production costs, consumers pay less for goods, and businesses also make more of a profit.

Vocabulary

wages, n. the amount of money that workers are paid based on their occupation and the number of hours they work each week

Offshoring is cost-effective for some businesses because of the differences in wages around the globe. The amount that

people are paid varies by skill, experience, employer, and the tasks that are carried out as part of their job. Wages also vary by geographic location, as the cost of living differs significantly from place to place. In countries or states with a lower cost of living, employees are paid less than in places where their needs cost more. Many countries around the world, including the United States, have a minimum wage, which is the lowest wage allowed by law.

Writers' Corner

Write a paragraph explaining how wages and cost of living affect costs for businesses around the globe.



Fair trade practices ensure farmers and workers all over the world receive fair wages and profits from the goods they produce.

Chapter 4

The Marketplace

The Big Question

Where do people buy things?



Types of Markets

It is 1000 CE. You are in a crowded marketplace on a warm morning in Constantinople, a city now known as Istanbul in Turkey. In the marketplace are long rows of tables holding all kinds of items: fruits, vegetables, spices, pots, silks, jewelry, and tools. People shout out prices to the merchants selling goods, and merchants shout back prices to their potential customers. Eventually, the shouting ends, and the customers leave the marketplace with what they need for the day.



A busy marketplace in Constantinople in the late 1800s



Although there is not as much bargaining in modern shopping, marketplaces not unlike the one in Constantinople still exist. In fact, flea markets in the United States are similar to the markets in Southwest Asia, known as bazaars. Flea markets are usually open-air markets where merchants sell their products directly to customers.

Today, much in-person shopping in the United States occurs in places like supermarkets and malls. Being a consumer was revolutionized in 1994 when the first online purchase was made. Since then, online shopping has become increasingly popular and convenient. Like a mall, shopping in a digital marketplace offers many different kinds of products made by different brands. In this way, online marketplaces are similar to those that have existed for centuries; they differ in that consumers can buy whatever they need at any time of day and have it delivered to their homes.

In addition to the literal meaning of *marketplace*, there is a more **abstract** meaning of the word. *Marketplace*, or simply *market*, can refer to the buying and selling of products in

an economy. The term *market* can also refer to a specific portion of the economy, such as the housing market or financial market.

Vocabulary

abstract, adj. relating to general ideas or qualities rather than to specific people, objects, or actions

Find Out the Facts

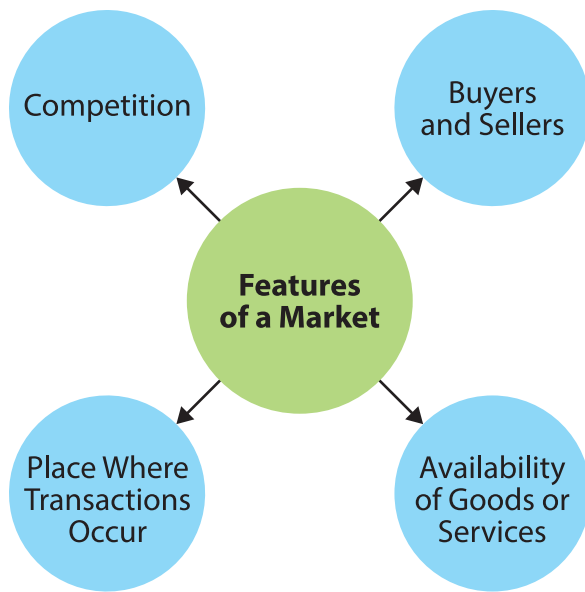


The Internet revolutionized how people shop. Conduct research about how online shopping affects entrepreneurs. Consider whether it makes starting a business easier or harder and how a business owner's reach changes because of the Internet.



Features of a Market

There are some characteristics that all markets have in common, such as buyers and sellers. For any market to successfully operate, there have to be people selling and people buying, whether in the same physical space or in a digital space. Buyers and sellers can be individuals, businesses, or governments.



The availability of goods or services is another feature of a market. A third significant feature of a market is that it provides a place where **transactions** between buyers and sellers occur, which can be either a physical or virtual space. A market also has competition, which means that a seller tries to convince buyers to purchase their goods or services from them and not from others. Sellers may entice customers by offering a better product or lower price or by having a unique marketing campaign.

Resources are also exchanged in markets. Businesses find the capital and human resources they need to produce goods or services in different types of markets. For example, natural resources such as metals that are used to manufacture

jewelry, utensils, and wires are purchased in markets that specialize in selling these resources.

Vocabulary

transaction, n. an occurrence in which goods, services, or money are passed from one person or group to another



Government's Role in the Marketplace

Many governments pass laws that people must follow when buying and selling goods, services, and resources in the market. Most businesses that sell food, for example, must ensure that it's safe for people to eat. In the example of the labor market, workers in many countries are not allowed to sell their skills and talents until they reach a certain age. Laws also dictate what can and cannot be sold in a marketplace.

Additionally, infrastructure built by governments supports markets and

Find Out the Facts

Find out how businesses in cities benefit from strong public transportation.



helps them function more efficiently. By building roads, laying rail, and building ports for shipping, governments help goods, buyers, and sellers reach their markets. They raise money for this infrastructure by charging taxes on things such as the goods people buy and the property they own.

Governments also create a means of exchange for buying and selling. They create **currency** in the form of money,

which people use to buy and sell goods in the marketplace. Currency helps people reach a common understanding of the value of a good or service.

Vocabulary

currency, n. a system of money

Think Twice



What is one way that the government saves businesses money?



Governments spend money on infrastructure, such as roads and utility wires, which helps to keep the economy running.



Climate Change and the Marketplace

A growing threat to the world's economy is climate change, or the increase in Earth's temperature as a result of human industrial activity. Depending on location, the effects of climate change include rising sea levels, higher temperatures, and increased or decreased rainfall. These factors may have increasingly negative effects on the infrastructure that helps the economy run so efficiently. Eventually, damage to ports and airports along the coasts, as well as bridges, factories, and railway lines, could disrupt supply chains and international trade unless preventive action is taken. Even preventive action will involve major economic challenges. For example, introducing electric vehicles and more public transportation requires changing the existing automotive industry and transport infrastructure.

These changes will also affect the availability of resources. For example, as places such as the American Midwest experience heavier rain than usual, flooding may negatively impact crops consumed domestically and exported

to other countries. As other resources become scarce, raw materials will become more expensive.

However, in the United States and in other parts of the world, governments, businesses, and local communities are working hard to tackle climate-related problems. New technologies are being developed to manage carbon emissions. Infrastructure systems are being updated and improved upon. There is much that can be done to solve the climate-related problems we are faced with. You can be part of the solution.

Writers' Corner

Write a short paragraph outlining steps that could be taken in your local community to tackle climate change.



The changing climate has led to more droughts, but global leaders are working hard to ensure they don't get worse.

Chapter 5

Economics Throughout U.S. History

The Big Question

How has the U.S. economy changed and developed over time?



Native American Economies

Today, American-made products can be found all over the globe. But this hasn't always been the case. The U.S. economy has developed over centuries into what it is today.

The first economies in American history were those of the Native nations that had been living in North America for many thousands of years before European colonization. These economies were largely traditional, with techniques for production passed down from one generation to the next and jobs



This wampum belt is believed to have been presented by the Lenape people to William Penn in 1683, signifying a treaty between the Lenape nation and Penn's people.

assigned based on gender and family roles. Within a nation, property was generally owned by families or clans, and trade was done through barter or gifts.

Between some Native nations, more formal trade agreements were made, which included the use of money. Different nations used different forms of money, such as **wampum**, which was used by the Eastern Woodlands peoples to acquire their needs and wants. Eastern Woodlands peoples lived in what is now eastern Canada and the United States. Wampum generally consisted of shells or beads. Although there is some debate about whether wampum was actually used as money, the speed with which Native nations began to use European money suggests that they were used to using money systems.



European Exploration

Europeans began exploring and colonizing the Americas in the late 1400s CE. Economic motivators were among their main reasons for doing so. For one thing, they wanted an

ocean-based, or **maritime**, route to acquire spices from Asia. European monarchs also wanted to use the resources of the Americas to grow their own wealth and empires.

The Spanish were the first Europeans to colonize the Americas, and the Spanish **mission** system was a key part of their effort. Missions were established from the early sixteenth century onward in areas the Spanish found hard to conquer. The missions not only spread the Christian faith but also gave the Spanish control of land and resources. Common explorers wanted more economic opportunity.

Vocabulary

wampum, n. a unit of money used in Eastern Woodlands economies prior to European colonization

maritime, adj. ocean-based

mission, n. a settlement built for the purpose of converting Native Americans to Christianity and gaining access to resources

Because of the great distance between Spain and the Americas, it was important that the missions be self-sustaining. Thus, the priests and supporting officials developed farmland



Spanish missions, such as Mission Concepción in modern-day Texas, served as both religious and economic hubs.

around the missions, established trade with local peoples, and sought and mined resources such as gemstones and metals. They also enslaved people from the local populations to work the farmland and mines. Because one of the goals of a mission was to convert Native peoples to Christianity, the missions were built near places where the Native peoples had already established villages and towns.



British Colonies

Like the Spanish, the British at the time favored **mercantilism**. Under mercantilism, the colonies would provide resources such as lumber, metal ores, and cotton. These would be shipped to England. English artisans would, in turn, supply finished goods such as tableware and textiles.



Think Twice

How do you think Spanish missions affected Native American economies and lives?

Vocabulary

mercantilism, n. an economic policy that attempted to reduce a country's need for imports by using colonies as a source of raw materials



Jamestown, the first English settlement in North America, was a business venture by the Virginia Company of London.

These artisans and the suppliers of resources were interdependent with one another.

Mercantilism relied heavily on businesses increasing their incomes. In fact, the first English colonial charter was given to the Virginia Company so that it could make profits from raw materials found in its new colony.

The Early American Economy

England's colonies in the Americas at first had a largely agrarian economy. The policy of mercantilism meant that

the most significant goods shipped out of the colonies were raw materials. For example, the export of **cash crops** such as tobacco, indigo, and cotton dominated the economy of the southern colonies—Maryland, Virginia, North Carolina, South Carolina, and Georgia. These crops were used by producers to make goods for consumers, such as tobacco for pipes, cigars, dye, and clothing.

Vocabulary

cash crop, n. a crop that is grown to be sold



This photo, taken in 1863 in South Carolina, shows enslaved people working on a plantation during the time of the American Civil War.

Cash crops require a great deal of labor because vast amounts of land are required to grow enough of the crop to make a profit. The colonies used the labor of enslaved people to do this. This practice continued after the colonies gained independence from Great Britain. This reliance on the labor of enslaved people eventually led to the Civil War.



Think Twice

How did the economic policy of mercantilism lead to colonialism?



The Modern American Economy

The 1800s marked a turning point for the American economy, not just because of the abolition of slavery, but also because of **industrialization**. This shift in how goods were produced changed the way

Vocabulary

industrialization, n. a shift to the widespread use of machines and factories to produce goods

people lived and worked. Once, people had generally worked at home, making their own clothing and furniture and growing most of their own food. Now, factories made goods cheaply and quickly, leading people to buy these items instead of making them.

Many of these factories were established by entrepreneurs. These business owners became the foundation of a new middle class. Those who owned banks or multiple businesses became richest of all. Industrial

tycoons such as Andrew Carnegie and John D. Rockefeller built massive companies, absorbing or destroying competitors—until the U.S. government intervened and broke up their monopolies.

The rise of factories also led to **urbanization**, as people moved to cities to get jobs in the factories. Many

Vocabulary

urbanization, n. the formation and growth of cities



Children, such as the one in this photograph from 1908, often worked in factories during the Industrial Revolution.

immigrants to the United States also took factory jobs. Life as a factory worker was often unpleasant and dangerous, and there were few government regulations to ensure worker safety. Moreover, workers were paid very little and did not have benefits such as paid sick leave or unemployment insurance.

Those benefits, as well as improved safety and higher pay, came with the rise of unions, which used **collective bargaining** and **strikes** in the fight to improve working and living conditions for U.S. workers.

Vocabulary

collective bargaining, n. the negotiation of better wages and working conditions by a group, such as a union

strike, n. a practice of workers refusing to work until their employer meets their demands in negotiations



Find Out the Facts

Find three unions that are active in the United States today.

As the twentieth century dawned, the American economy began to look like the one we know today. The crash of the stock market in 1929 began the Great Depression, an economic downturn

that lasted more than ten years. The Depression only ended after the United States entered the Second World War in 1941. The U.S. government intervened to stabilize the economy and alleviate the poverty and homelessness the Depression had created. Many of the programs established during that time, such as Social Security, are still in place today. Depression-era agencies such as the Securities and Exchange Commission, which oversees financial trading, and the FDIC, which insures people's bank accounts, have also survived.

The main force that pulled the American economy out of the Great Depression was World War II. The war created demand for many products, including weapons, munitions, and vehicles for the war effort. Following the end of the war, the American economy boomed. Unlike Europe and Japan, the United States did not have to spend money rebuilding its own towns, cities, and industries ruined by the war. With money to spend, Americans demanded a variety of consumer goods, and businesses were eager to sell to them. Mass-manufactured goods, including everything from clothing and prepared food to home appliances, became very popular. By responding to

the high demand with a large supply of these items, manufacturers ensured they were affordable to many people. Advertisements became a part of daily life, including roadside billboards, pages in magazines, television commercials, and mail-order catalogs.

Today, the United States is part of the **global economy**. In the global economy, nations are interdependent, meaning each relies on others for resources and markets. This means that anything that affects the world affects the United States as well. Similarly, the U.S. economy affects the world economy. For example, the

Great **Recession**, a two-year economic downturn from late 2007 to 2009, began in the United States with a collapse of the housing market. Because of the United States' international trade ties, countries all over the globe experienced the recession's effects. As the United States recovered after 2009, so did the global economy.

Vocabulary

global economy, n. the worldwide system of trade and economic activity

recession, n. a time of reduced economic activity, when there is little buying or selling



Widespread poverty during the Great Depression led to scenes like this one, in which long lines formed for soup kitchens, where people got a free meal.

Glossary

A

abstract, adj. relating to general ideas or qualities rather than to specific people, objects, or actions (86)

accrue, v. to increase in number or amount over time (79)

C

capital, n. money needed to pay for a workforce, machinery, and other equipment to support the development and growth of a business (59)

cash crop, n. a crop that is grown to be sold (93)

circulation, n. the passing of something, such as money, from person to person or place to place (78)

collective bargaining, n. the negotiation of better wages and working conditions by a group, such as a union (96)

commute, v. to travel regularly to and from a place of work (58)

currency, n. a system of money (88)

D

discount, n. an amount taken off a regular price (71)

E

economy, n. the way a country manages its money and resources to produce, buy, and sell goods and services (58)

elastic, adj. able to be changed; flexible (73)

entrepreneur, n. a person who starts a business and is willing to risk loss in order to make money (64)

equilibrium price, n. the price at which supply equals demand (73)

externality, n. a consequence of a commercial activity that affects other parties without impacting the cost of the goods (66)

F

fluctuate, v. to change frequently (66)

G

global economy, n. the worldwide system of trade and economic activity (97)

glut, n. a supply of something that is much more than is needed or wanted (74)

I

import, v. to bring a product into a country to be sold there (70)

industrialization, n. a shift to the widespread use of machines and factories to produce goods (94)

interdependence, n. the state of being related in such a way that each needs or depends on the other (64)

M

maritime, adj. ocean-based (91)

marketplace, n. an area where people go to buy, sell, and trade goods (65)

market value, n. the price that consumers are willing to pay for something (80)

marking up, v. increasing the price of something (65)

mercantilism, n. an economic policy that attempted to reduce a country's need for imports by using colonies as a source of raw materials (92)

mission, n. a settlement built for the purpose of converting Native Americans to Christianity and gaining access to resources (91)

mortgage, n. a legal agreement in which a person borrows money to buy a house and pays back the money over time (58)

mutually reliant, adj. depending on one another for something (64)

O

opportunity cost, n. the value of the option that was not chosen whenever a choice is made (70)

P

profit, n. the money that is made by a business once all expenses have been paid (65)

prohibitively, adv. done in a way that prevents something from happening (69)

R

raw materials, n. substances used in the primary production or manufacture of goods (59)

recession, n. a time of reduced economic activity, when there is little buying or selling (97)

S

specialize, v. to develop a specific set of skills for a single purpose (64)

strike, n. a practice of workers refusing to work until their employer meets their demands in negotiations (96)

T

tangible, adj. capable of being touched (61)

transaction, n. an occurrence in which goods, services, or money are passed from one person or group to another (87)

U

ubiquitous, adj. seeming to be everywhere (78)

urbanization, n. the formation and growth of cities (95)

W

wages, n. the amount of money that workers are paid based on their occupation and the number of hours they work each week (83)

wampum, n. a unit of money used in Eastern Woodlands economies prior to European colonization (91)

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Subject Matter Expert

Dr. Kristen L. McCleary, Associate Professor of History,
James Madison University

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