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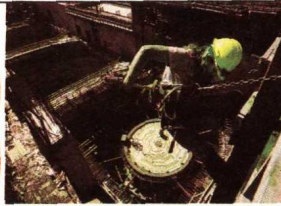
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HOW TO USE THIS BOOK

CHAPTER 13



CHAPTER OUTLINE

- 1 Who Is the Labor Force?
- 2 Supply and Demand in the Labor Market
- 3 Organized Labor
- 4 Collective Bargaining
- 5 The Future of Unions



The American labor force is comprised of over 100 million men and women who work at an amazing variety of occupations in businesses and industries. Unions have made important contributions to many workers, but union membership has declined in recent years.

THE AMERICAN LABOR FORCE

You may already be working, but if not, you probably will be joining the American labor force sometime in the future. What kinds of jobs exist for you? What kind of training will you need for them? Which jobs are growing the fastest? How are wages determined? This chapter will help you answer these important questions. The chapter also presents a time line of the labor movement in the United States and describes how unions and management arrive at contract agreements. You will also read about the possible future of unions as technology changes the workplace. Learning Economic Skills discusses job possibilities for your future.

CHAPTER OBJECTIVES After you have studied this chapter, you will be able to:

- 1 • identify jobs by the type of work performed and by the education and/or training needed.
- 2 • describe the workings of supply and demand in the labor market.
- 3 • summarize the history of organized labor in the United States.
 - describe union organization in the United States.
 - use information from the *Occupational Outlook Handbook* to determine the future of some jobs.
- 4 • list the major issues involved in collective bargaining.
- 5 • describe the possible future of unionism in the United States.

ECONOMICS VOCABULARY

civilian labor force
blue-collar
white-collar
service worker
unskilled worker
semiskilled worker
skilled worker
professional
minimum wage law
labor union
craft union
industrial union
local union
closed shop
union shop
agency shop
right-to-work law
collective bargaining
mediation
arbitration
strike
picketing
cost-of-living adjustment
boycott
lockout
injunction

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In Developing *Scribner Economics*, the author and editors designed a number of features to explain what each unit and chapter is about to help you recognize important ideas, and to make locating special material easier.

The first page of each unit lists the chapters and illustrates the main themes of the unit.

REVIEWING ECONOMIC PRINCIPLES

1. What is the minimum wage law?
2. In the labor market, who creates: a. supply? b. demand?
3. a. What three factors underlying supply and demand affect wages in the labor market? b. Which factor seems to benefit workers most?
4. **Critical Thinking: Interpreting Information.** What are the disadvantages of imperfect competition in the labor market?

SUMMARY OF IMPORTANT PRINCIPLES

- 1 • Every business involves five elements: advertising, expenses, receipts, record keeping, and risk.
 - A potential entrepreneur must also gather the factors of production and decide what type of business organization he or she wishes to form. Entrepreneurs must also learn about the laws, regulations, and tax codes that apply to the business.
- 2 • The advantages of sole proprietorships involve taxes. Disadvantages are unlimited liability and uncertainty about the life of the business. The following categories involve both advantages and disadvantages: profit and losses, management, personal satisfaction, and financing growth.

The first page of each chapter begins with a summary of the most important ideas in the chapter; a list of objectives, or goals; and a list of economics vocabulary in the chapter. The number before the objectives indicates the sections in which they are found. The star indicates the economic skill you will be learning. The section names are listed at the top of this page. By reading this page before you begin a chapter, you will discover the important items to look for and remember as you read.

At the end of each section is a series of questions called *Reviewing Economic Principles*. By answering the questions correctly, you will be mastering chapter objectives to which these questions relate. A Critical Thinking question will help you apply thinking skills to what you have learned.

The end of each chapter has a *Summary of Important Principles*. These principles follow the order of the section objectives listed at the beginning of the chapter and summarize the important information relating to each objective.

7 CHAPTER REVIEW



PRACTICING YOUR COMMUNICATION SKILLS: DISCUSSION

During this course you have undoubtedly been participating in class discussions, as you probably have been since you first began school. You may not think about it, but any time you have a conversation with someone about a specific topic, you are taking part in a discussion, too. However, you may not be getting as much out of discussions or contributing as much as you might. Below are some tips to help you become an effective discussant (dis-KUHS-nt).

- If you are going to participate in a class discussion, be sure you are prepared. Read your assignment so that you have something to contribute.
- Be open-minded. Although you have probably formed some opinions ahead of time, you should not have made up your mind about the issue.
- Be willing to share your ideas and opinions. Everyone has something to contribute because everyone's viewpoint is unique.
- Respect the opinions of others. Everyone has a right to his or her ideas.
- Do not make disagreements personal. It is all right to disagree with another's ideas, but not with the person.
- Be clear in expressing your ideas when you speak.
- When listening, try to distinguish between the main argument and side issues. Concentrate on the main argument.
- If you agree with the person speaking, listen for additional information that will support your opinion.
- If you disagree with the person speaking, listen carefully to his or her point of view and the reasons used to support it. In that way, you will be able to argue against that view more effectively when it is your turn.

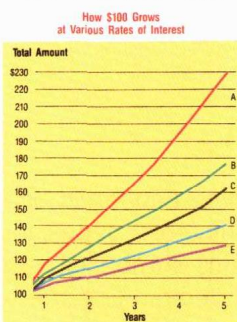
Activity: Practice these tips the next time you are part of a discussion, and see if you find that you contribute more ideas more effectively. If you have difficulty with one particular item on the list, concentrate on working on that in the next discussion.

VOCABULARY REVIEW

For each of the following terms, write a sentence using the term: maturity of a bond, preferred stock, over-the-counter market, compound interest, simple interest, common stock.

PRACTICING YOUR ECONOMIC SKILLS

1. **Analyzing Graphs.** The line graph below shows how \$100 will grow at five different



rates of annually compounded interest. Use the compound interest table on p. 163 to answer the following. a. Which curve represents an interest rate of 5 percent? b. Which curve represents an interest rate of 12 percent? c. Between which two curves would a curve based on 9 percent interest be drawn?

2. **Drawing Line Graphs.** Using the compound interest table on p. 163, create a line graph similar to the one on p. 178. Draw one line on the graph to show how \$100 will grow over 15 years at 8 percent annually compounded interest. Draw another line to show how the same amount of money will grow during that period at 8 percent simple interest. a. What is the difference in the shape of the two curves? b. What causes this difference?
3. **Creating a Table.** Use the material in this chapter to create a table comparing these investments: passbook savings accounts, NOW accounts, Super NOW accounts, money market accounts, CDs, common stocks, bonds, tax-exempt bonds, U.S. savings bonds, mutual funds. Include the following information for each type of investment: possible return on investment (how much investors can expect to make); access to money (how easily investors can get their money); and amount of risk (how much chance is there of losing the original investment).

DISCUSSING ECONOMIC QUESTIONS

1. There are many different reasons why people save and many different savings plans they can use. What reasons would be best suited to short-term investments like savings accounts? What purposes would be best suited to longer-term methods such as CDs?
2. Most teenagers have a limited source of income. Should they nonetheless put a small amount of what they earn or are given in a savings account? Why or why not?

APPLYING CRITICAL THINKING SKILLS

1. **Researching Financial Services.** With your class, decide on several different types of financial institutions in your area and then divide into groups. Visit one of the institutions and find out about the services offered and rates of interest on the different savings plans. Use this information to make a table comparing services.
2. **Doing Research.** Using newspaper or magazine articles from 1980, research the provisions of the Depository Institutions Deregulation and Monetary Control Act. Then write a one-paragraph description of one way in which the act affects banks.
3. **Gathering and Analyzing Information.** Choose two stocks on the New York or American stock exchange, and follow their prices for two weeks in the financial pages of a newspaper. You will need to read only the last columns of figures. Note the daily closing prices, and then make a line graph showing the stocks' performance over the two weeks.

READINGS

Brown, Betty J., and Clow, John E. *General Business: Our Business and Economic World*. Boston: Houghton Mifflin, 1982. Savings accounts, insurance, and investing in stocks and bonds, real estate, and other investments.

Gupta, U. "How to Read the Financial Pages." *Black Enterprise*, April 1982, p. 27.

Heitbroner, Robert, and Thurow, Lester. *Economics Explained*. Englewood Cliffs, N.J.: Prentice-Hall, 1985. Chapter 6, "Savings and Investing."

Ruby, Linda. "How to Pick a Mutual Fund to Match Your Money Needs." *Woman's Day*, 1 September 1982, p. 14.

Thorn, Michael. "Good News for the Economy: IRAs Are Off to a Running Start." *Nation's Business*, June 1982, pp. 49-52.

The *Chapter Review* will help you develop your reading, writing, study, or communication skills with economic materials. It also has a vocabulary review and questions called *Practicing Your Economic Skills* to help you review and apply the economic skills you have learned in the text. *Discussing Economic Questions* presents

thought questions, and *Applying Critical Thinking Skills* provides project and research ideas to extend the material in the text. *Readings* list books and articles to help you with research or for further reading about topics in the chapter.

Economics Vocabulary, the terms of economics, are listed on each chapter-opening page. In the text, they appear in bold type and are defined the first time they are used. *Vocabulary Builders*, words that you might not know, are defined in the margins. They also are listed on the unit-opening page of the teacher's manual or are listed on the Chapter Preview blackline worksheets. The economics vocabulary also are given in the Glossary at the end of the textbook. Vocabulary words are reviewed at the end of sections, chapters, and in the tests.

By issuing stock, a company obtains funds for use in expanding its business and, it hopes, in making a large profit. Table 7-2 describes the two types of stock that a corporation can sell. You will read more about ways to finance business operations in Chapter 11.

Stockholders—owners of stock—make money from stock in two ways. One is through **dividends**, the money return a stockholder receives on the money he or she invested in the company.

The corporation may declare a dividend at one or more times during a year. However, dividends are paid only when the company makes a profit. The other way people make money on stock is by selling it for more than they paid for it. Some people buy stock just to speculate (SPEK-yuh-layt). That is, they buy stock hoping that the price will increase greatly so they can sell at a profit. They do not buy it for the dividends.

Issue: to offer new stock for sale

right-to-work law: state law forbidding contracts that require employees to join a union or pay union dues (p. 326)

robotics: the sophisticated computer-controlled machinery that forms part or all of an assembly line (p. 479)

satellites: structures that orbit the earth to relay signals to and from earth stations (p. 485)

savings: nonuse of income for a period of time so that it can be used later (p. 156)

there is a larger quantity demanded than supplied (p. 198)

short-term financing: borrowing by a business for a period of time less than a year (p. 277)

simple interest: interest figured only on the original amount deposited (p. 162)

skilled worker: person who has a trade or craft (p. 319)

smokestack industries: industries that manufacture heavy goods such as steel or automobiles (p. 478)

social cost: total cost that society must pay for any economic activity (p. 51)

stock: share of ownership in the company that issued the stock; entitles owner to a certain part of company profits and sometimes to a vote in certain matters, such as electing a board of directors (p. 160)


stockholder: person who owns stock in a company and thus holds a claim against a certain part of its profits (p. 161)

store of value: use of money to store purchasing power for later use (p. 377)

straight life insurance: insurance that combines insurance coverage

Putting Economics to Work

SURPLUS: SALE MERCHANDISE



It is the end of January, and Teresa Cintron is taking inventory—counting what she has—in her clothing store. Each summer and winter, Teresa holds a sale of the previous season's remaining items. In her latest end-of-season inventory, Teresa has found that she is left with 90 blouses and tops. The 90 items are divided almost equally among three price ranges. There are 40 blouses selling for \$30 each, 30 tops for \$20 each, and 20 tops for \$15 each.

To sell these remaining winter items, Teresa lowers the prices on the 90 blouses and tops by 20 to 50 percent. To bring customers into her store, Teresa advertises the \$15 tops at \$7.50 each. This price is about

Putting Economics to Work, the summary case study at the end of the chapter, uses a real-world situation to explain an economic principle that you learned in the chapter. For instance, the example to the left is about the use of a sale to clear a store of unsold merchandise at the end of a selling season. The case study is at the end of the chapter; it explains supply and demand and illustrates a real-world application of the concept of surplus.

Learning Economic Skills

USING INDEXES OF CONSUMER PRICES

The consumer price index (CPI) is the measure of inflation with which you are probably most familiar. It is the one most often quoted in news reports and articles. This index, however, is just one of many measures of consumer prices published by the Bureau of Labor Statistics. Although the CPI indicates the average rise in prices, it is not necessarily the best guide to how much your own cost-of-living has gone up.

As you read earlier in this chapter, the CPI is based on the price of all items in a market basket of goods and services. The Bureau also publishes separate price indexes for each of the ten major groups making up the market basket. These are: food, residential rent, home ownership, home purchase, fuel oil and coal, gas and electricity, clothing, private transportation, public transportation, and medical care.

Price Indexes for Selected Consumer Groups*

	Food	Rent	Home-owning	Fuel	Clothing	Items	All
1965	94.4	96.9	92.7	94.6	93.7	94.5	
1970	116.9	110.1	128.5	110.1	116.1	116.3	
1975	175.4	137.3	181.7	235.3	142.3	161.2	
1980	254.6	191.6	314.0	556.0	178.4	246.8	
1981	274.6	208.2	352.7	675.9	186.9	272.4	

1967. But prices for fuel oil and coal have gone up about 410 percent over the same period. Although clothing is more expensive now than it was in 1967, the cost of clothing compared to most products on the market has actually decreased.

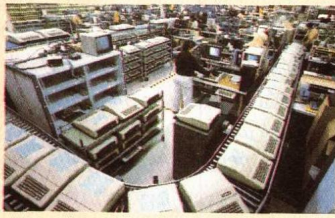
The rise in your own cost of living will depend on which consumer goods and services you use most. For example, if you live in a rented apartment and walk to work or school, your daily costs have probably gone up less than they have for a homeowner who drives to work. Rent increased an average of 172 percent between 1967 and 1986. However, during the same period, the cost of homeownership went up 236 percent. The cost of owning a car has also gone up considerably. The prices of automobiles, gasoline, garages, automobile insurance, as well as of highway and bridge tolls, have all increased.

Your own cost of living also depends on the mix of products you buy. To remain consistent, the market basket that the Bureau uses to compute the CPI is always the same. In reality, however, individuals vary the products and services they buy based on price. For example, if the price of beef increased steeply, you might buy less beef and more chicken. Because of careful shopping and substitution of goods, your own cost might go up less than the consumer price index would show.

Learning Economic Skills is a feature of one, two, or three pages in every chapter that explains some skill related to economics, such as understanding the use of statistics, recognizing trends, choosing a career, knowing which records to keep for income tax purposes, and how to fill out a tax form. Besides explaining a particular skill, each *Learning Economic Skills* feature provides exercises for you to practice your mastery of that skill.

Case Study

THE STORY OF THE APPLE



The story of the Apple computer is one of the great success stories in modern American business. In creating the Apple Company, two young men, Steven Wozniak and Steven Jobs, combined their technical genius with marketing flair to start what became the multi-billion dollar personal computer industry. Apple's co-founders were self-taught electronic wizards, who introduced their first computer, the Apple I, in 1976. The account of their success is a present-day version of the classic rags-to-riches stories that were so familiar in the earlier days of America's industrial history. Andrew Carnegie, Henry Ford, Thomas Edison, and countless other business pioneers made fortunes for themselves and in the process changed the daily lives of all Americans. Wozniak and Jobs first teamed up when Jobs was a high school student in Palo Alto, California. Their most successful early product was a device that enabled a caller to make free long-distance telephone calls. From this questionable start, the

years, the Apple II earned \$140 million. The success of the Apple Company was insured when in 1980 it became a publicly owned company. With the sale of shares in the company to the public, Steven Wozniak and Steven Jobs became multimillionaires.

Apple Computer, Inc., continued to be a pacesetter in the computer field, marketing new, more powerful and versatile machines like the Macintosh computers. But in 1986 the company experienced internal problems that led to the departure of both Wozniak and Jobs from Apple. The departure was painful for both of Apple's founders. However, Jobs organized a new company to develop education-oriented computer software. Some of Apple's key employees joined Jobs' company, leaving Apple with a potential "brain-drain."

An additional feature, the Case Study, appears in many chapters. The case studies provide a variety of material. They present the accomplishments of well-known members of business and industry. They show the American economy in action and provide real examples of the benefits of the market system.

A Trailblazer in the Profession: Juanita Kreps (1921–)

Juanita Kreps was a student at Berea College in Kentucky during the Great Depression of the 1930s, where she majored in economics courses. Her love of economics continued, and she soon achieved great success as an economist. Later in her career, she became the first woman to serve as Secretary of Commerce, when she held that job in President Carter's cabinet from 1977 to 1981.

After she graduated from Berea College in 1942, Kreps pursued her graduate studies in economics at Duke University, where she received her master's and her doctoral degrees. She then taught economics at Denison University and returned to Duke in 1955. From 1969 to 1972, Dr. Kreps served as Dean of the Women's College and Assistant Provost at Duke before being named James B. Duke Professor of Economics, the university's most prestigious endowed teaching position. In 1973, she was appointed Vice-President of the university.

As a highly respected economist, Kreps attracted the attention of several of America's largest corporations who were looking for



employees. She hoped to use her position to increase corporations' social responsibility. She pledged to work to create employment opportunities and to improve the nation's productivity through a public works program.

One of her best-known books, *Sex in the Marketplace: American Women at Work*, examined women's role in the labor market. She sought answers to basic questions of why women in the 1960s entered the same occupations year after year, why so few women studied for advanced degrees, and why so many women exchanged their jobs as housewives for low-paying jobs outside the home.

Dr. Kreps offered this explanation to the problem women faced in the 1960s: "The woman who is considering the occupational options may be discouraged from trying to enter a male's field because she accurately perceives employers' reluctance to hire women for these jobs, or because the investment required of her may exceed her estimate

Biography

Accompanying many chapters is a feature called a *Biography*. This feature appears in the text near the material it best illustrates. The biographies highlight the contributions of important economists of the past and present and will help you to understand how competing schools of thought have developed.

Readings in Economics

PROFILE OF THE DEVELOPING WORLD Skill: Making Inferences



Economist Barbara Ward has written many books about developing nations. In this reading she describes some of their characteristics.

When we speak of developing countries, the phrase has nothing to do with levels of culture or history or contribution to mankind's heritage of civilization. The phrase in the main means simply that a society has not yet crossed the threshold to the modern, high-technology society with all the advantages and evils this passage entails. The category includes countries of immensely old and sophisticated civilizations, such as India or China—which, between them, make up a third of the human race—long-established literate and urban-oriented societies in Latin America and some of the most ancient and continuous of all the world's political units—Egypt—for instance, or Iran.

A fairly arbitrary estimate is often made which fixes at an annual income of \$500 a head, the level at which a country begins to emerge fully from the pretechnological condition. But 80 percent of the nations at and below that level have annual per capita incomes of less than \$250. This figure gives a better guide to the bleak realities of personal poverty for citizens and . . . [scarce] resources for governments in developing lands. Investment to provide for the . . . increases in pro-



This dam on the Volta River in the African nation of Ghana was built to fill the country's urgent need for electric power.

above \$2000 per capita—is only 8 per cent of the work force.) Nearly 70 per cent of exports are still primary products, which tend . . . to fluctuate most widely and weaken most easily. Yet imports of goods and services, mainly the expensive machines and skills needed to increase productivity, are not much lower than those of the developed nations already at the \$1000-a-year level.

1. Give examples of developing countries that are not yet considered modern, high-technology societies but have ancient cultures and traditions.

The *Readings*, which are part of the end-of-chapter materials, are primary and secondary source materials. They enable you to learn what economists and others actually said or thought about the economic concepts and topics you have just learned. There is one reading per section, and each focuses on a key critical thinking skill. Content and critical thinking questions on the reading will help you analyze and relate the sources to the text.

ISSUE

THE CONTROVERSY OVER THE NATIONAL DEBT

After you study this issue, you will be able to evaluate the controversy surrounding the size of the national debt.

The size of the national debt has recently been an issue of growing concern to many Americans. Many individuals and public officials warn that the government is living far beyond its means. They point to large yearly budget deficits and a national debt of over \$2 trillion as signs that something is terribly wrong with the way the country is being run. Such concern reached a high point in the early 1980s. At that time, many state legislatures, public officials, and private citizens began calling for a Constitutional amendment requiring a balanced federal budget. Many states already had laws requiring balanced annual budgets.

But is there really cause for such widespread

The problem here is that what are good financial principles for an individual or business do not necessarily apply to government. The federal government is in a unique position. Unlike an individual or business, it has the ability to raise money through taxes. It can use these taxes to pay as much interest on its debt as necessary each year. The government will go bankrupt only when it loses its revenue-raising powers.

A second important difference between government and private borrowing involves paying off the debt. Most individuals dislike being in debt. They look forward to the day when they can pay back their creditors. The national debt, however, never has to be paid off. It can be, and indeed is, refinanced as it comes due. That is, when a bond reaches maturity, it is retired with money raised by selling another bond. In this way, the debt can be carried from year to year, forever.

At the end of each unit, there is a special featured titled *Issue*, which presents various viewpoints on some topic of national interest mentioned in the unit, such as the conflict among national goals or the controversy over the national debt. Each *Issue* is followed by thought questions to help you weigh the evidence on both sides and decide what you think about the issue.

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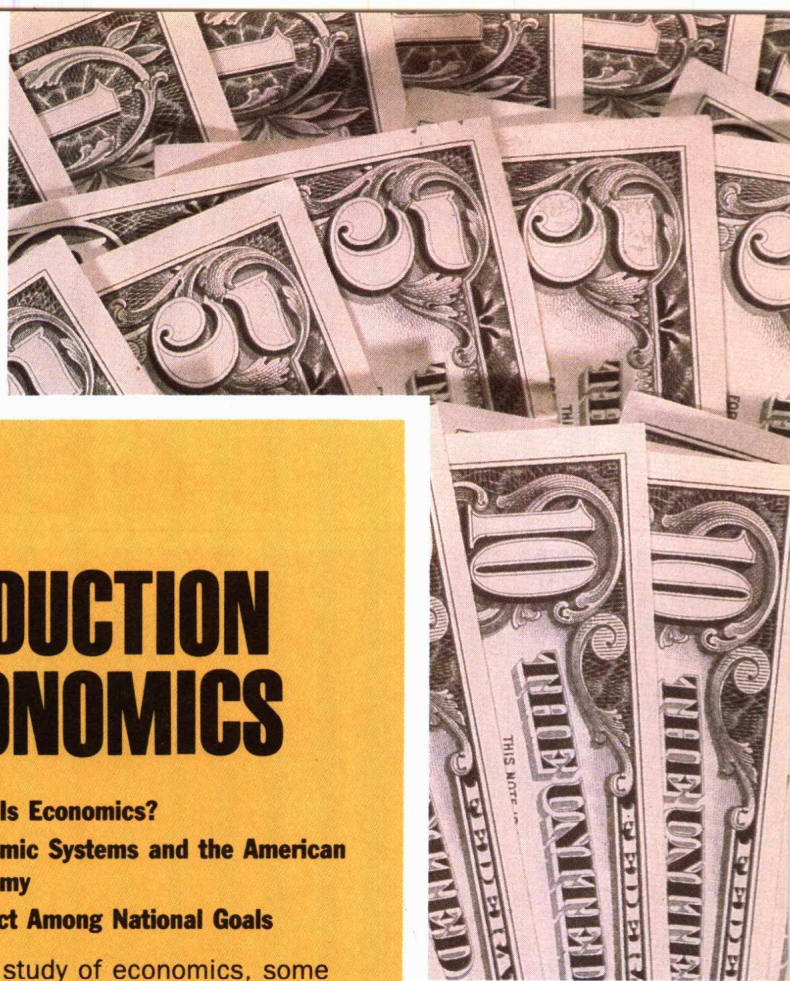
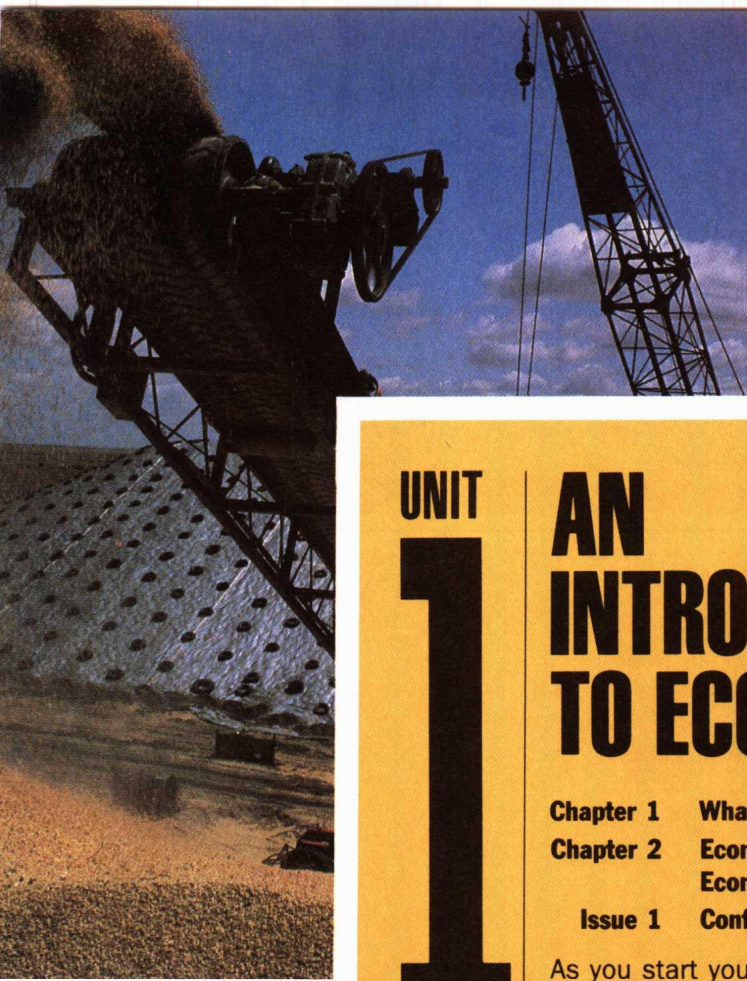
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UNIT

1

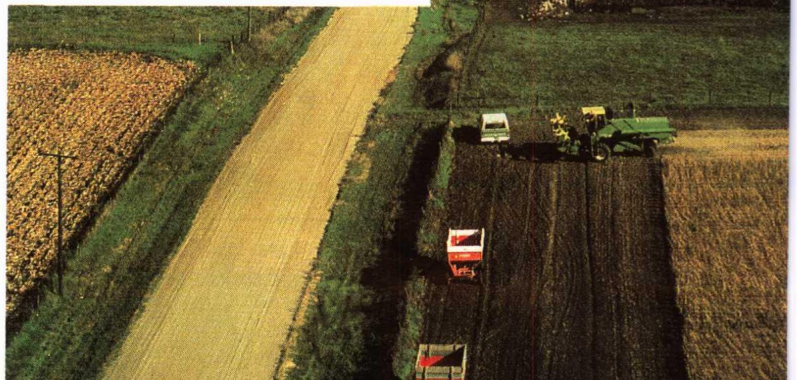
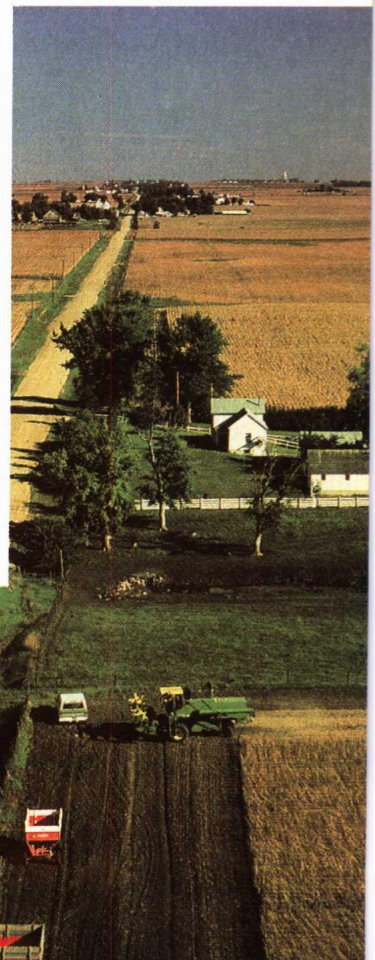
AN INTRODUCTION TO ECONOMICS

Chapter 1 What Is Economics?

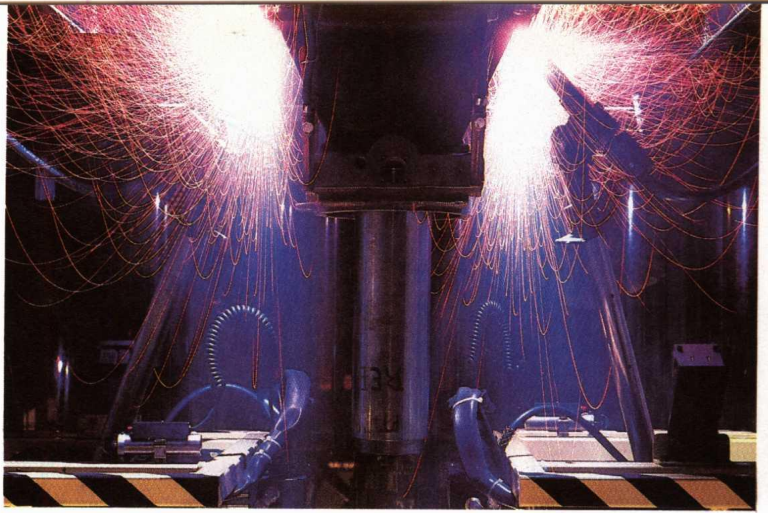
Chapter 2 Economic Systems and the American Economy

Issue 1 Conflict Among National Goals

As you start your study of economics, some very basic questions about the subject will occur to you. First, you probably wonder just what economics is. And what do the people called economists do? Most likely, you want to know whether economics has anything to do with your life and interests? Does it have any practical applications? The chapters in this first unit will start to give you answers to these concerns. They will introduce you to some basic economic principles and describe how these principles work in various economic systems. Since you are most closely involved in the working of the American economic system, it is this system that will be emphasized in this textbook.



CHAPTER 1



Land, labor, and capital—machines, tools, and money—are resources that every economy needs. The choices people make in using these limited resources help shape their nation's economy.



CHAPTER OUTLINE

- 1 Why Study Economics?
- 2 Trade-Offs
- 3 What Do Economists Do?

WHAT IS ECONOMICS?

This chapter explains what economics is and how economists work. It also explains why studying economics is important to you as a present or future employee, employer, entrepreneur, consumer, saver, investor, and citizen. By describing the use of economic models and the principles of scarcity of resources, trade-offs, opportunity costs, and production possibilities, the chapter introduces you to some basic economic principles that you will be studying throughout the text. Learning Economic Skills deals with reading tables and graphs.

CHAPTER OBJECTIVES After you study the sections of this chapter, you will be able to:

- 1 • state the basic problem in economics.
 - explain the importance for you of studying economics.
 - identify the types of resources available to satisfy needs and wants.
- 2 • explain the trade-offs involved with production possibilities.
 - ★ determine that tables and graphs can be used to present economic information in visual form.
- 3 • describe the use of economic models by economists.
 - explain why economists do not work with values.

ECONOMICS VOCABULARY

economics
 resource
 hypothesis
 generalization
 scarcity
 wants
 land
 labor
 capital
 productivity
 entrepreneurship
 factors of production
 goods and services
 technology
 trade-off
 statistics
 bar graph
 line graph
 pie graph
 opportunity cost
 production possibilities
 economy
 economic model
 values