

Civics & Economics Notes

**Mr. Ginnerty's Class
Collaborative College of Technology & Leadership**

Table of Contents

Unit	Page
Unit 1 : Formation of Our Nation	2
Unit 2 : Our National Government	11
Unit 3 : State and Local Government	16
Unit 4 : Our Legal System	20
Unit 5 : Our Economic System	29

Unit 1 : Formation of our Nation

How did geographic diversity influence the economic, social, and political life of colonial North America? (required settlers to **adapt** to available resources)

3 Colonial Regions

I. **Southern Colonies** - Large farms, cash crops, and use of slave labor (46)

II. **New England Colonies** – Rocky soil, small farms, fishing, trading, and early manufacturing (45)

III. **Middle Colonies** – “Breadbasket” of the colonies; grain and cattle (45)

indentured servants - Served 4 - 7 years service in exchange for passage to America. (42)

triangular trade - Exchange of slaves from Africa to Caribbean, sugar to North America, rum and other goods to Africa (43)

Middle Passage - Route of enslaved Africans taken to the Americas

How did ideas about self-government develop in British North America ?

I. Influences from England’s Early Government :

A. When England began settlement of North America in the 1600’s, its government was a **monarchy** (rule by a noble, ie. king or queen) (33)

B. Roots of Representative and Limited Government

1. **Magna Carta** (“Great Charter”) (33)

- a. In 1215, nobles rebelled against abuses by King John
- b. They forced the king to guarantee their rights
- c. These rights eventually were applied to all Englishmen

2. **Parliament** - the British legislature (33)

- a. Began as group of nobles advising the king
- b. Developed into a **bicameral** (2 house) legislature
 1. **House of Nobles** - comprised of nobles
 2. **House of Commons** - represented ordinary people

3. **Glorious Revolution** (33 – bottom right)

- a. In 1688, **Parliament removed King James II from power** and replaced him with his daughter Mary and her husband William of Orange
- b. **It established that no ruler would have more power than the people** (represented by Parliament)
- d. Led to the **English Bill of Rights** in 1689 (34)
Limited monarch’s power and protected English citizens from mistreatment

4. The Unwritten Constitution and Common Law

- a. England has a collection of documents instead of one formal written **constitution** (plan of government – 67)
- b. English laws and court decisions are based on custom and previous court decisions that *set the example* (**precedent**) (34)
- c. **Common Law** - The laws that developed over time from court decisions / precedent (34)

II. Bringing English Heritage to America :

- A. **charter** - A document from a monarch that gave authority to establish and govern a colony. They also guaranteed colonists the same rights as if they were living in England. (36)

proprietors - Persons or group of people given the right to establish and govern a colony (**proprietary colony**)

joint-stock company - Company formed of investors in a colony (Ex. VA. Co. of London) (36)

- B. Virginia (1608) – Start of Southern colonies

1. **Jamestown** - First permanent English settlement (36)
2. **House of Burgesses** (1619) (36)
 - a. First legislature in America. Beginning of representative government.
 - b. Limited to white, male, **land owners**

- C. Massachusetts (1620) – Start of New England colonies

1. **Plymouth Colony** - established by a group of **Puritans** called **Pilgrims** in order to have religious freedom. (36)
2. **Mayflower Compact**- Agreement among the Pilgrims to govern themselves. (36)
 - a. They had not landed where their charter gave them permission.
 - b. Voting limited to all **male church members** (form of **direct democracy** called **Congregationalism** –held **Town Meetings**)

3. Other Colonial Governments

- A. Ruled by a governor (appointed by the king or elected) and an elected legislature (**Royal colonies**)

- D. **Zenger Case** - established precedent for freedom of the press. Defendant acquitted of libel for unflattering statements about NY.'s royal governor (123)

Roger Williams - Banished from Massachusetts Bay Colony for differing religious beliefs. Founded Rhode Island with freedom of religion (religious **toleration**) & separation of church & state. (42)

Anne Hutchinson - Banished from Massachusetts Bay Colony for differing religious beliefs and for challenging her ministers

What were the causes of the American Revolution?

How did a unique American identity emerge?

I. **The Great Awakening** - Religious revival beginning in early 1700s (47)

- A. Focused on personal / emotional experience of God
- B. Led to break up of churches and growth of Baptist and Methodist denominations
- C. Reinforced questioning of authority (religious and political)

II. Colonial Resistance and Rebellion

A. **Mercantilism** - Economic theory (51)

1. A country should sell (export) more than it buys (imports)
2. Colonies provided natural resources and bought England's manufactured goods
3. Laws England passed to enforce this unequal relationship led to colonial resentment.

B. **Salutary Neglect** (51)

1. Distance made it difficult to directly control the colonies
2. The colonies became used to governing themselves and resisted greater control over them

C. **Albany Plan of Union** - Proposed by Benjamin Franklin in 1754 to unite the colonies in a single government but not adopted. (51)

D. End of Salutary Neglect

1. Resulted from the costs of the **French & Indian War** which England wanted the colonists to help pay (52)
2. Britain imposed new taxes between 1763 - 1767 (Sugar, Stamp & Townshend Acts)

E. Successful Protest

1. "**No taxation without representation**" - Many colonists believed Parliament had no right to tax them as they had no representation in Parliament (53)
2. **boycott (non-importation agreements)** - Colonists refused to buy British goods until Parliament **repealed** (canceled) the taxes (52)

F. Britain Gets Tough

1. **Tea Act** (1773) - Let East India Co. sell tea directly to the colonists at cheap prices. *Buying the tea meant the colonists would be paying the tax they had not approved.* (53)
2. **Boston Tea Party**- Colonists threw the tea into the harbor as protest (53)
3. Resulted in the **Enforcement Acts** (aka. the "**Intolerable Acts**") that punished the colonists and reduced their rights. Included closing the port of Boston and restricting right to trial by jury (53)

G. Movement Towards Independence

1. **First Continental Congress**(1774) - meeting of **delegates** (representatives) from 12 of the colonies to demand a **repeal** of the Coercive Acts (54)
2. **Battles of Lexington & Concord**(1775) in Massachusetts were the first armed conflicts with British troops (54)
3. After the **Battle of Bunker Hill** (1775) in Boston, **King George III** declared the colonies to be in rebellion. (54)
4. **Second Continental Congress** (1775) -All 13 colonies met to propose peace with England ("**Olive Branch Petition**"). Rejected by the king.
5. **Thomas Paine** published "**Common Sense**" (1776) which argued for independence from Britain (54)
6. **Declaration of Independence** – (55 - 56)
 - A. Written by **Thomas Jefferson**
 - B. **Ratified** (approved) on **July 4, 1776**
 - C. Based on ideas of political philosopher **John Locke**
 1. **Social Contract**
 - a. Power of the government comes from the People
 - b. The People can replace an abusive government
 2. **Natural Rights** - everyone has a right to their :
 - a. **life**
 - b. **liberty**
 - c. **property** (Jefferson said "pursuit of happiness "

What major domestic problems did the nation face under the Articles of Confederation and to what extent were they resolved by the Constitution?

I. Early State Constitutions (created 1776 - 1780)

- A. Replaced colonial charters with new documents that gave most power to legislatures due to their experience with a strong executive under British kings
- B. Most states had a **Bill of Rights** to guarantee certain freedoms and protect citizens against abuses by their governments (67)

II. The Articles of Confederation (1781) - Gave most power to the **states** due to experience of strong central government under Britain (68)

- A. First government of the United States of America
- B. Required ratification (approval) of **all (13)** states to go into effect
- C. **Legislative** – only branch of government.
 - 1. **one (equal)** vote for each state
 - 2. **9 of 13** states required to pass a law
- D. Successes (69)
 - 1. **Land Ordinance of 1785** – Divided land in Northwest Territory for sale
 - 2. **Northwest Ordinance of 1787** established the procedure for admitting future new states on an equal basis
- E. Weaknesses (69)
 - 1. Difficult to pass laws or enforce laws without an executive or a court system
 - 2. **Could not**
 - A. **enforce taxation**
 - B. **regulate interstate commerce** (trade between states)
 - 3. **All** states required to **amend** (change) the Articles
 - 4. **Shays' Rebellion** (70)
 - A. Massachusetts raised taxes to pay war debts
 - B. Courts threatened to take farmer's property as payment. They rebel.
 - C. State militia called out when national gov't unable to respond
- F. The weak national government under the Articles led to a meeting of 12 states in Philadelphia, PA. and the drafting of the **U.S. Constitution** (72)
 - 1. Stronger central (national) government
 - 2. Central government can enforce taxation and regulate interstate commerce
 - 3. Strong enough to suppress the **Whiskey Rebellion** (223)
 - 4. Added **executive** branch (president – Article II) and **judicial** branch (courts – Article III) to the government (80-81)

How did the Federalist and Anti-Federalist Papers view the role and power of government differently?

I. **Federalists** - **For** ratifying the Constitution and strong national government (77)

a. **Federalist Papers** (78)

- 1. Writings that promoted ratification of the Constitution
- 2. Essays written by **Alexander Hamilton, John Jay, and James Madison**

3. **Federalist No. 10** – Said representative government would control **faction**

II. **Antifederalists - Against** ratifying the Constitution (78)

- a. Felt the Constitution gave too much power to the national government. **Wanted more state power**
- b. Concerned there was no **Bill of Rights** to protect citizens from the national government (78)

To what extent does the Bill of Rights extend the Constitution?

A. Background / Early Limitations

1. Agreed to by the Federalists in order to get support for the Constitution
2. First **10** amendments (119 – 131)
3. Protects **civil liberties** (freedom to think and act without government interference)
4. Originally, protected citizens only from misuse of the national government's power over them
5. States violated the civil liberties of many people
 - a. African-Americans – slavery allowed in some states. All denied **suffrage** (voting rights)
 - b. Women – Denied suffrage by the states

How is the American system of government similar to and different from other forms of government?

I. U.S. Government : (23 – 24)

The U.S. government is a **Democracy** (rule by the people) Began in ancient **Greece**
But not a **Direct Democracy** (every citizen votes on issues – ex. city state of Athens)

The U.S. is also a **Republic** (Citizens choose people to make the laws and to govern on their behalf

And a **Presidential System**. Led by an elected president who heads the executive branch. (only U.S., Mexico, and Philippines)

II. Other Forms of Government :

A. **Authoritarian** Governments – Power held by a person or group of people not accountable to the people ie. **dictatorships** or **totalitarian** gov'ts. (25)

1. **Fascism** - One political party / dictator controls a nation and may direct the economy but there is private ownership of property. Individual rights are not as important as obligations to the State. Ex. Italy and Germany in the 1930-40s
2. **Communism** - One political party controls a nation and there is no private ownership of the means of production (farms, factories, homes, etc.) Ex. Cuba, North Korea, China

B. **Parliamentary System** – Led by a **Prime Minister** and cabinet members who are also members of the legislature (588) Ex. Great Britain, Germany, etc

The Constitutional Convention

I. The Philadelphia Convention (1787) (72)

A. Purpose : create a stronger national government

1. Articles of Confederation was too weak to be effective
2. Ex. : **no power to collect taxes or to regulate interstate commerce**. Also, **Shays' Rebellion**.

B. Only Rhode Island did not send **delegates** (representatives)

II. Compromise Between Large and Small States

A. **Virginia Plan** (Large State Plan) (74)

1. Proposed by **James Madison** (“Father of the Constitution”)
2. State representation to Congress based on **population**
3. **Bicameral** (two house) legislature

B. **New Jersey**(Small State Plan) (75)

1. Proposed by **William Patterson**
2. State representation to Congress **equal**
3. **unicameral** (“one house”) legislature
3. More similar to the Articles of Confederation

C. **Great Compromise** (Connecticut Compromise) (75)

1. Adopted most of the Virginia Plan
2. Bicameral legislature
 - a. **House of Representatives** - representation based on state population
 - b. **Senate**- equal (2) for each state

III. Compromises Between North and South

A. **3/5 Compromise** (75)

1. The South wanted to count slaves for state representation but not taxation
2. The North wanted to count slaves for state taxation but not representation
3. Counted every 5 slaves as 3 persons for purposes of state taxation and representation

B. Other Compromises (76)

1. Congress could not tax exports
2. Congress could regulate interstate commerce
3. Congress could not limit slave trade for 20 years
4. Choosing the President
 - a. Some wanted Congress to choose
 - b. Some wanted the people to vote
 - c. Compromise : **Electoral College**

1. State legislature selects electors (today it is the voters)
2. Electors vote as the state votes in the election
3. The Founding Fathers did not entirely trust the voters (meant as a fail safe measure)

IV. Ratifying the Constitution (77)

A. Required **9/13** states to approve for it to go into effect unlike **13/13** for the Articles.

B. Two Sides : (77 – 78)

1. **Federalists** - For the Constitution

- a. For a strong national government
- b. **Federalist Papers**

1. Promoted ratification of the Constitution
2. Written by **Alexander Hamilton, John Jay, and James Madison**

2. **Antifederalists**- Against the Constitution

- a. Felt the Constitution gave too much power to the national government.
Wanted more power with the states
- b. Concerned there was no protections for citizens from the government

C. Compromise and Ratification: (78)

1. Federalists agreed that a **Bill of Rights** would be added to the Constitution after it was ratified.
2. All states ratified the Constitution by 1790.

V. Structure of the Constitution

A. **Preamble**- Introduction. Describes the purpose of the government.(80)

B. The **Constitution** - Explains how the government works (80 – 81)

1. Articles I - III describe the legislative, executive, and judicial branches and their powers
2. Articles IV explains the process to admit new states
3. Article V describes the **amendment process** (changing the Constitution)
 - a. Proposal Process - 2 ways
 1. **2/3** vote of both houses of Congress or
 2. national convention requested by 2/3 of states (never used)
 - b. Ratification Process – **3/4** of states must approve
 - c. Article VI declares the Constitution the “**supreme law of the land**” (supremacy clause) and states must obey federal laws and decisions

3. The Amendments - Changes to the Constitution (82 – 83)

- a. **27** amendments currently
- b. Bill of Rights - First **10** Amendments

VI. Interpreting the Constitution (83)

- A. **Loose Constructionist View** -stretches powers of the government
 - 1. Congress can make any laws not specifically forbidden by the Constitution if it helps to carry out the powers originally given to it by the Constitution (**implied powers**)
 - 2. Supported by the “**Necessary and Proper**” Clause. Also called the “**elastic clause**”
- B. **Strict Constructionist View** - limits power of the government to what is specifically stated in the Constitution
- C. Congressional and Presidential Actions - actions taken when the Constitution is unclear can set a precedent
- D. Interpretation Through Custom (Ex. : Development of political parties)

Unit 2 : National Government

What principles are embodied in the United States Constitution? (89-93)

- A. **Popular Sovereignty** - power of the government comes from the People (86)
- B. **Equality Under The Law** - The law applies to everyone (87)
- C. **Separation of Powers** - divides powers among separate branches of Government (88)
 - 1. Prevents a branch of government from becoming too powerful and abusing others
 - 2. Idea proposed by the **Baron de Montesquieu**
- D. **Checks and Balances** - Each branch of government can restrain the powers of the other branches (Ex. The president can veto laws made by Congress) (88)
- E. **Federalism** (89)
 - 1. Constitution divides powers between the national and state governments
 - a. **Expressed Powers** (aka. Enumerated/ Exclusive/ Delegated) are for the **national government only** (Ex. : declare war)
 - b. **Reserved Powers** are for the **states only** (Ex. : Establish schools, rules for marriage)
 - c. **Concurrent Powers** - **Both** possess (Ex. : taxation)
 - 2. National government is superior to the states (**supremacy clause**)

How does the Constitution organize the three branches of government at the national level in terms of structure and powers?

Legislative Branch – Congress ; “Makes the laws”	Bicameral = 2 Houses (result of Great Compromise)	
	House of Representatives	Senate
Members	435	100
Representation Based On	Population – per Census	2 per state
Requirements	25 yrs. Old / 7 yr. U.S. resident / citizen	30 yrs. Old / 9 yrs. U.S. resident / citizen
Term	2 yrs.	6 yrs.
Leader	Speaker of the House	President Pro Tempore when the Vice-President is not in attendance. V.P. may break tie votes.
Specific Functions	Originate “money bills” Impeach officials / judges	Approve treaties Approve presidential appointments Trial of impeached officials / judges

Executive Branch ; “Enforces the law”	Presidential Roles		
President	Must be 35 yrs. old / native born citizen / resident of U.S. for 14 yrs. Power to veto bills passed by Congress	Commander-in-Chief	Head of military
		Chief Diplomat	Directs foreign policy
		Head of State	Represents U.S. to other leaders
		Legislative Leader	Proposes laws for Congress to consider
		Economic Leader	Propose budget, etc.
		Chief Executive	Head of executive 5epts./ agencies
		Party Leader	Leader of his political party
Executive Departments	Cabinet = Heads of the executive Depts.. Advise the president	15 Departments	
		Dept. of Homeland Security	Coordinate defense against terrorist acts
		Dept. of Interior	Manages public lands and resources
		Dept. of State	Carries out foreign policy
		Dept. of Justice	Law enforcement
Independent Agencies	Executive Agencies	Deal with specialized areas of government - ex. N.A.S.A.	
	Government Corporations	Provide services but at no profit – ex. U.S. Postal Service	
	Regulatory Boards & Commissions	Make and enforce rules for industries and groups – ex. Federal Communications Commission (F.C.C.) regulates radio and television	

Judicial Branch – “Interpret the law”	Requirement	Appointed by Pres. and approved by Senate	
	Term	Life	
Supreme Court	Highest Court – original jurisdiction for disputes between states and trial of foreign officials only		1 court with nine justices. Have power of judicial review – may determine constitutionality of laws. Result of Marbury v. Madison case
Appellate Courts	Hears appeals / reviews cases from lower courts. No original jurisdiction. No juries		12 geographic circuit courts and 1 federal circuit court for special cases
District Courts	Has original jurisdiction for most cases		94 district courts

How does the Constitution grant and limit the authority of public officials and government agencies?

Supremacy - National government has authority over the states (2.01)

Separation of Powers - Different powers assigned to each branch of government (2.01)

Checks and Balances - Each branch has some power to limit the other branches (2.01)

Equality Under the Law - All citizens & government officials are subject to the laws (2.01)

Impeachment - Process of removing officials for wrongdoing (146)

Veto - Major check of the executive branch on the legislative branch. Rejects laws. (202)

Judicial Review - Power of the Supreme Court to rule laws unconstitutional (252)

Ex Post Facto - Laws punishing actions done before they were made illegal are not allowed (188)

Bills of Attainder - Laws punishing someone without benefit of a trial are not allowed (188)

What are the procedures for changing the Constitution?

What have been the effects of past changes to the Constitution?

I. Changing the Constitution - Amendment Proposal Process (82 – 83)

1. **2/3** vote of both houses of Congress or
2. national convention requested by **2/3** of states (never used)

Ratification : **3/4** of the states must ratify the proposal (by legislature or state convention)

What court cases have demonstrated that the U.S. Constitution is the supreme law of the land and how have they done so?

Marbury v. Madison - Established **judicial review** for the Supreme Court (258)

McCulloch v. Maryland - Ruled that the states could not tax an agency (National Bank) of the national government. Upheld supremacy of the national government over the states (258)

Gibbons v. Ogden - Affirmed that only the national government could regulate interstate commerce

Dred Scott v. Sandford - Protected constitutional right to own slaves by overturning compromises on slavery in the territories (144)

Plessy v. Ferguson - Allowed segregation of races. “Separate but equal” (258)

Brown v. School Board of Topeka, K.S. - Stated segregation no longer allowed. “Segregation is inherently unequal”(258)

Korematsu v. U.S. - Allowed the internment of Japanese-Americans during WWII for purposes of “national security”

Heart of Atlanta Motel v. U.S. - Upheld federal civil rights legislation banning racial discrimination

Swann v. Charlotte-Mecklenberg - Allowed **busing** to enforce federal court orders to integrate schools (367)

What court cases have demonstrated that the U.S. Constitution and the Bill of Rights protect the rights of individuals and how have they done so?

First Amendment Rights :

Engel v. Vitale - Prayer in school violates the **establishment clause** against an official religion (258)

Tinker v. Des Moines - Upheld right of students to wear black armbands in protest of the Vietnam War as freedom of speech (132)

Hazelwood v. Kuhlmeier - Allowed school administration to censor content of student newspaper (325)

Texas v. Johnson - Allowed flag burning as a form of free speech

Rights of the Accused :

Gideon v. Wainwright - Right to legal counsel (258)

Miranda v. Arizona - Suspects must be informed of their rights at time of arrest (258)

Mapp v. Ohio - Evidence gained in violation of the 4th amendment may not be used (exclusionary rule) (438)

Furman v. Georgia - Death penalty must be applied fairly (440)

Civil Liberties :

Roe v. Wade - Legalized a woman's right to an abortion (258)

Brown v. Board of Topeka, KS. - Ruled segregation to be illegal (258)

In what ways are modern controversies related to the powers of the federal government similar to the debates between Federalists and Anti-Federalists over ratification of the Constitution?

Loose constructionist view : allows expansion of national power (Federalists) (1.08)

Support for **social welfare** programs supported by increased taxes

Growth of "big government" / added executive departments like **Homeland Security**

Strict constructionist view : limits national power (Antifederalists)

Opposed to "big government" and taxation

Support for **term limits** for government officials

How does the national government raise revenue from taxation and other sources?

Taxation : (682 – 683)

income - Taxes paid on earnings

excise - Tax on certain goods (usually, alcohol, tobacco, gasoline)

tariffs / duties - Tax on imports

estate / inheritance - Tax on wealth passed onto heirs

corporate - Taxes paid by businesses

progressive - U.S. graduated income tax is an example. **Higher incomes pay a greater % of income**

regressive - Excise taxes are an example. **Has greater impact on lower incomes**

Other Revenues :

bonds - Certificates sold to raise money. Repaid with interest (688)

Budget : (688)

balanced - Expenditures equal revenues

deficit - Expenditures are greater than revenues

surplus - Expenditures are less than revenues

What services do government agencies provide citizens and how are they funded?

Federal Bureau of Investigation (F.B.I.) - Investigates federal crimes

Central Intelligence Agency (C.I.A.) - U.S. spy agency

Department of Homeland Security - Oversees various agencies to coordinate defense against terrorism (226)

Federal Emergency Management Agency (F.E.M.A.) - Manages preparation for and response to disasters

Internal Revenue Service (I.R.S.) - Oversees collection of taxes

Citizenship and Immigration Services (C.I.S.) - Oversees admission of aliens and application for citizenship. Formerly named the Immigration and Naturalization Service (I.N.S.)

Centers for Disease Control and Prevention (C.D.C.) - Addresses the threat of diseases to the nation (632)

Environmental Protection Agency (E.P.A.) - Oversees enforcement of conservation of environment

Unit 3 : State and Local Governments

What principles are embodied in the North Carolina Constitution and local charters ?

Know : Popular Sovereignty, Separation of Powers, Checks and Balances.

How do the North Carolina Constitution and local charters define the framework, organization, and structure of government at the state and local levels ?

Legislative Branch :

North Carolina has a **bicameral** legislature (2 house) called the **North Carolina General Assembly**.
(380)

N.C. State House Representatives must be at least **21** years old

N.C. State Senators must be at least **25** years old

Both NC. State Representatives and Senators serve **2** year terms

Voting districts are **apportioned** (created) every 10 years based on **population** as determined by the **U.S. Census**.

Each Senate and House **voting district** must be roughly equal in population since the **Reynolds v. Simms** Supreme Court decision in 1964

Executive Branch :

Governor : Chief executive (like president) of the state (384) Limited to 2 consecutive four year terms in N.C. (ie. **term limit**)

Lieutenant Governor : Second in position (akin to the vice-president) (385)

The N.C. Governor was given the power to **veto** legislation by changes to the N.C. Constitution ratified in 1996 but is one of seven governors to lack the **line-item veto** power

commute : Power of governor to reduce a criminal's sentence as in
reducing death penalty to life in prison (384)

pardon : Power to grant an early release from prison (385)

Cabinet : Heads of 10 Departments appointed by the Governor (386)

Council of State : Heads of 8 Departments elected by the voters

Judicial Branch : (389 – 391)

N.C. Judicial Branch	N.C. Supreme Court	7 justices. Court of last appeal	Elected for 8 yrs.
	N.C. Court of Appeals	Reviews lower court decisions	8 yr. terms
	Superior Courts	Handles felonies and large civil cases	8 yr. terms
	District Courts	Handles misdemeanors , small civil cases , and others (family/divorce/ traffic) No juries	Elected for 4 yr. terms

Appellate Court = Handle appeals. (N.C. Court of Appeals and N.C. Supreme Court)

Justice of the Peace : Handles **misdemeanor** (minor) crimes in rural areas

Magistrates: Handle minor cases under supervision of a superior court judge (390)

Local Government : Created by and are under the control of the states.

Local Government	Municipal government				County Government
Serves	Cities, towns, villages				Large subdivision of a state (100 in N.C.)
Managed by	Mayor – Council Form	Mayor – executive	Strong	Has veto power. Appoints many officials	An elected Board of Commissioners governs most counties. Many appoint a professional county manager to run day to day operations. Some county offices are run by elected officials like sheriff and district attorney
			Weak	Council has most powers	
		Council - legislative	Passes ordinances – city laws		
	Council – Manager Form	Council appoints a professional to manage city departments. Began as reform of corrupt and inefficient government			
	Commission Form	Elected as heads of city departments. They choose one of their members to be mayor			

incorporation : Denotes organizing a place by the state to provide services to its residents ie. a town, city, etc. (404)

ordinances : City laws passed by city councils (403)

special district : Unit of government with a specific function . Run by board or a commission (409) [ex. School district]

Municipality : A city and its surrounding suburbs (404)

county : Largest subdivision of a state (403)

How do the state constitution and local charters limit the authority of public officials and government agencies?

separation of powers : Have 3 branches of government like the national government

Bill of Rights : Protections against the government and other rights

Regulate ways that state and local governments can raise and spend money

How may the state constitution and local charters be changed?

What have been the effects of past changes to the state constitution and local charters?

Proposed by / approved by the : **legislature**

Ratified by the : **voters**

(1868 & 1971) – Governors & Lt. Governors **may not** serve more than 2 back to back terms. This is a form of **term limits**

(1996) – The governor was granted the power to **veto** legislation

What court cases have demonstrated that the North Carolina Constitution is the supreme law of the state? (393)

Leandro v. North Carolina -1997 : The North Carolina Constitution guarantees the right to an education. In 1994, parents from 5 low wealth counties sued the state for assistance because they felt their counties did not provide an adequate education.

The NC. State Supreme Court **ruled against equity** (equal spending) among school districts but **upheld adequacy** (must achieve level III on EOCs) to guide spending.

How does the Fourteenth Amendment of the U.S. Constitution extend the Bill of Rights' protections to citizens of a state?

The 14th amendment was ratified following the Civil War in an effort to protect the former slaves from the “**jim crow**” laws that southern states passed to deny their rights. (140) The 14th Amendment states that : **No state shall make or enforce any law which shall abridge the privileges of immunities of citizens of the United States..**

Any one born in or naturalized as citizens in the U.S. are considered citizens.(110) and are entitled to “**equal protection**” of the laws by the states

States are forbidden from interfering with privileges of citizens of the U.S. Intended to make the Bill of Rights binding for state governments – **Has led to court interpretations that the Bill of Rights applies to citizens at the state level** starting with the **Gitlow v. New York** - 1925 case (135)

What modern controversies are related to the powers of state government?

Divided Executive Branch : Does it hinder the coordinated efforts of the executive branch ?

The Council of State agencies have elected officers and report to the General Assembly but
The Offices of Council are appointed by the Governor and report to him / her (386 – 387)

eminent domain : The power of government to seize private property for public use though they must fairly compensate the owners (128)

How does the state raise revenue from taxation and other sources?

What services do state and local government agencies provide and how are they funded?

Sources of State Revenue	(682)	
Intergovernmental revenue (22%)	From the federal government.	# 1 source
sales tax (21%)	Tax on consumer purchases of goods & services	# 2 source but #1 tax source
State employee retirement taxes	Funds employee pensions	# 3 source
income tax (15 %)	Tax on wages, salary, etc.	# 4 source

Sources of County Revenue		
Intergovernmental revenue	From the state	# 1 source
property tax	Tax on assessed value of homes, cars, boats, etc.	#2 source but #1 tax source

Where do state and local governments spend most of their money? (684 – 685)

State :

Public Education - Largest State non-intergovernmental expenditure

Health & Human Services – 2nd highest State expenditure

County / Local :

Public Education - Largest County / local expenditure

Unit 4 : Our Legal System –Making and Enforcing Laws

How are political parties organized?

1. A **political party** is a **group of voters with a common interest** (273)
They want to **influence government decision making**
They do this by **electing their party's candidates into office**

2. For most of U.S. history there have been **2** major political parties (273-274)

The first two were : **Federalists** led by **Alexander Hamilton**.
It favored a **strong** national government

Democratic-Republicans led by **Thomas Jefferson**.
It favored a **weak** national government

3. The current two major parties are : (273-274)

Democrats which began in 1828 with Andrew Jackson

Republicans which began in 1854 and elected Lincoln in 1860

4. **Third Parties** arise when there is an issue not being dealt with by the major parties. Two that have impacted American politics include : (274 – 275)

Populists were mainly farmers in the late 1800s

Progressives ran former president Theodore Roosevelt in 1912 and split the Republican vote, allowing the Democrat Woodrow Wilson to win

5. **Single-Issue Parties** arise to promote a specific issue. An example is the **Prohibition Party** that sought a ban of alcohol (275)

6. **Ideological Parties** seek to change society in a major way based upon a unique political philosophy. They include : (220)

Communist Party supports government ownership of the means of production

Green Party opposes the power of big business and wants to respect the environment

Libertarian Party opposes government intervention in the economy and supports individual freedoms

7. **Independent** candidates often form around well-known individuals.
H. Ross Perot of the **Reform Party** ran for president in 1992 & 1996.
(220 – 221)

8. Most democracies have a **multi-party system**. One party rarely wins and so several must work together to form a coalition to establish a majority. (221)

one-party systems are usually present in authoritarian governments like in communist **China** or where religious leaders rule (theocracy) like in **Iran**

9. A basic difference between the 2 major American parties is that the : (222)

Democratic Party believes in more government involvement in the lives of Americans to improve their conditions

Republican Party favor less government regulation . Growing the economy will lead to more jobs and better conditions for all.

Each party has a statement of its beliefs called a **platform**
Each part of that is called a **plank**.

10. Each party has representatives from all over the country that make up a (223) **national committee** with a **national party chairperson** to run it.

Each party chooses **delegates** (representatives) through meetings called **caucuses**

11. Each party has state organizations broken down into districts called **precincts** (225) and several together make up a **ward**

A party that has strong control of a local area may be called a **political machine** (226). The most famous was the democratic controlled **Tammany Hall** in New York City in the late 1800s and early 1900s.

12. Parties **nominate** candidates then voters from each party choose the candidates to represent their party in the general election through **direct primaries** (227)

Most primaries are **closed** to non-members of the party. (228)

Candidates not affiliated with a party may run for office by **petition**, getting enough voter signatures to qualify to run (229)

13. Parties act in the following roles :

Campaign for their party's candidates (229)

Inform citizens of the issues

Manage government when elected

Act as a "**watch dog**" - losing party watches the winning party and points out their mistakes

How are elections conducted and what are the qualifications for voting?

1. During our nation's early years you had to :

own **property** to vote.

be **white** (race),

a **male**(gender)

21 years of age. (236)

Today, you may vote regardless of :

race due to the **15th** amendment (75 – 76)

gender due to the **19th** amendment (77).

The voting age is now **18** because of the **26th** amendment (81).

Most states deny the right to vote to persons who have **committed a felony**

All the people who are eligible to vote are together called the **electorate** (240)

2. To vote, you must **register** by completing the required forms and showing proof of name, age, address, etc., (237)

On election day, voters go to a **polling place** in their voting district called a **precinct**. Voters select their candidates from a list called a **ballot**.

If you can not be present to cast your vote on election day, you may cast an **absentee ballot**. (238)

Media sources conduct **exit polls** (239) to try to determine who the winner will be before the official results (**returns**) are posted (238).

3. Voters have a responsibility to stay informed of the candidates and issues. The news sources and other groups such as the **League of Women Voters** also inform the public. **Special interest groups** try to get voters to vote for candidates favorable to their issues.

In modern times, voter turnout has been low due to **apathy** (lack of interest)(240).

Candidates for each party are chosen in a **primary** race. Later, the party candidates face off in a **general election** (241).

4. Sometimes the voters can decide specific issues. The **initiative** is a process for citizens to propose new laws. If they get enough signatures on a petition it becomes a **proposition** that is then voted on by the people by a vote called a **referendum** (242).

The **recall** allows voters to vote to remove a politician from office.

5. The presidential election process has 3 parts :
nomination, campaign, and the vote (242 – 243).

The **nomination** process at the party national convention is mostly outdated as the main party candidate is usually determined by the preceding state primaries.

The president is determined by a body known as the **electoral college**

In most states, the candidate that wins the popular vote in each state wins all of that state's electoral votes. This is called the "**winner-take-all**" system (243)

Critics say that this method favors states with a **large population** and also means candidates will spend more time campaigning in those states (244)

It also makes it very difficult for **third parties** to win the election though they may cause the major two parties to fail to get the needed majority to win.

If no presidential candidate gets the required **plurality** of electoral votes (currently 270), the **House of Representatives** must decide the election.

6. The purpose of political campaigns is to get voters to vote for the candidate. They use : (247)

canvassing - campaign workers go door-to-door

endorsements - when famous people say they support the candidate

propaganda - term meaning attempts to convince others

advertising - print or television media to spread the message

7. The **Presidential Election Campaign Fund** was created in 1971 to supply money for candidates from voluntary contributions that come from **income** taxes. (248)

Most campaign funding comes from **private** sources (249).

Money raised to give to the candidate's party for general purposes is called "**soft** money".

Political Action Committees (PACs) are created by special interest groups to support candidates favorable to their issues (250).

The Supreme Court considered spending campaign money on elections to be **free speech** so limits are not allowed. However, other rules for campaign finance reform have been passed.

Politicians running for reelection (**incumbents**) usually have more money to run their campaigns and are much more likely to win.

What landmark historical documents led the way to our foundational documents?

Code of Hammurabi : First known set of written laws (ancient Babylon) (428)

Twelve Tables : Roman code of law

Justinian Code : Laws of the Byzantine Empire (Eastern Roman Empire) (428)

Jurisprudence : Science, or study, of the law

Common law: English laws based on **precedent** (prior court decisions)

Magna Carta : English document that first limited the king's powers (33)

English Bill of Rights : Began protection of individual rights in England (34)

Mayflower Compact : Agreement among New England colonists to govern themselves (36)

What are examples of types of law?

How is the judicial process adversarial in nature?

Penal Code : Law that deters and punishes unacceptable behavior (453)

Adversarial : System of opposing sides in American courts (prosecution & defense)

Civil Law : Law concerning disputes between individuals (usually monetary) (449)

lawsuit : A legal action in which a person sues to collect damages (432)

tort : Dispute over death or injury of a person due to carelessness (433)

suit-in-equity : Seek fair treatment in cases not covered by laws (365)

family : Deals with divorce, child custody, adoption, child abuse, etc.(433)

Constitutional : Law that determines rights under the Constitution (434)

Administrative : Sets the rules and regulations for federal agencies to follow (434)

Statutory : Laws written by legislatures to regulate our behavior (434)

International : Treaties and other agreements with foreign nations

What are the various procedures in the enactment, implementation, and enforcement of law?

Enactment :

Bills are proposed by the executive branch, Congressmen, private citizens or **special interest groups** (organizations of people with a common goal) (199)

Bills can only be introduced to Congress by **members of the House of Representatives or Senate** (199)

committees : Groups of Congressmen that reject, change, or accept bills (199)

standing committees : Permanent groups of Congressmen to study proposed legislation in a particular area/ topic (ex. Senate Budget Committee or House Armed Services Committee)

conference committee : Congressmen from both the House and Senate who make bills from the two houses the same so they can be voted on to become law

select committee : Temporary committees to investigate an issue

joint committee : Committee with members of both the House and Senate

debate : Discussion of the bill by the entire House or Senate (199)

whips: Members of each party that keep track of legislation and encourage party members to vote as the party wishes

filibuster : Power of Senators to speak as long as they wish to delay a vote

cloture : 3/5 vote of the Senate to end a filibuster

roll call : Members call out their vote one by one (202)

How does the government implement and enforcement laws?

Regulatory Agencies - Government commissions that oversee businesses

Food & Drug Administration : (F.D.A.) Regulates food & pharmaceutical industries

Federal Trade Commission : (F.T.C.) Regulates business practices

Federal Communications Committee : (F.C.C.) Regulates media (radio, tv)

Securities & Exchange Committee : (S.E.C.) Regulates the stock market

Justice Department: Executive Department in charge of law enforcement

Federal Bureau of Investigation : (F.B.I.) Investigates federal crimes

State Bureau of Investigation: (S.B.I.) State agency that investigates state crimes

How can citizens be informed about laws?

What is the role & responsibility of government to inform citizens?

franking : Congressmen can send mail to their constituents free of charge (192)

town hall meetings : Opportunity for citizens to make their opinions known to government officials

media: Radio, television, and internet sources of news on government

press release_ : Official news released by the government

debate : When opposing political candidates argue the issues

What is the role of lobby groups and special interest groups in the enactment of legislation?

What roles do individual citizens, political parties, the media, and other interest groups play in public policy decisions, dispute resolution, and government action?

Special interest groups are protected by the **4th** amendment “right of the people to peaceably assemble and to petition the government.”

lobbyists : Employed by special interest groups to try to influence lawmakers

think tanks: Groups that suggest policies or new ideas (ex. Brookings Institute)

Political Action Committees (P.A.C.s) : Raise money to contribute to politicians who support their cause

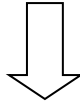
Political contributions are protected by the **1st** amendment protecting free speech. However, they may be limited by Congress (ie. campaign finance reform).

**What methods are used by society to address criminal and anti-social behaviors?
What are the differing jurisdictions of state and federal courts?**

What is the course of a criminal case? (456 – 458)

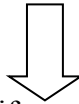
1. **Arrest**

Suspect is detained and charged with a crime.



2. **Preliminary Hearing**

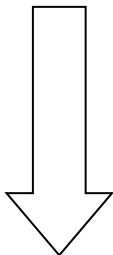
Suspect is brought before a judge to hear charges against them (right of **habeus corpus**)
Prosecution must show **probable cause** (good reason to hold the suspect in custody)
Bail is set or refused by judge (Amount pledged that suspect will show for court date)



Grand Jury : Group of citizens who determine if enough evidence exists to formally charge (**indict**) the suspect with a crime

3. **Arraignment**: Defendant makes a **plea** before a judge

Not Guilty



Guilty



plea bargain : Accepts a reduced sentence



Go to Prison

4. **Trial** : Case presented to a **petit Jury** (**6th** Amend.right)
or may decline and opt for a **bench trial** (judge only) (457)

Adversarial System :

plaintiff (the prosecution) **vs.** **defense (defendant)** (431)

- Verdict :
- A. **acquittal** : not guilty verdict (458)
 - B. **hung jury** : jury can't agree on a verdict
 - C. **guilty**

recidivism : Describes repeat offenders who return to crime

mandatory sentencing : Meant to stop repeat offenders by requiring long sentences (454)

What are alternatives to incarceration? (imprisonment) (454 – 455)

probation : To avoid jail, a person must check in regularly with an officer, stay out of trouble and meet any other specified conditions

community service : Person must do specified volunteer work

restitution : Person must pay damages to the victim

house arrest/ home confinement : Person is confined to their home. Electronic monitoring is used.

boot camp/ shock incarceration : Short but intense military-like imprisonment meant to rehabilitate

parole : Person is released early from prison but must meet with an officer and meet other specified conditions or be returned to prison (454)

Juvenile Justice System : (462)

rehabilitation : Goal of juvenile justice system. Change youth, not just punish.

neglect cases : Place mistreated youth in foster homes or with other relatives

delinquency cases : Youth commit crimes or acts allowed only for adults

Juvenile records are sealed when one becomes an adult and are not normally open to the public

What is the role of debate, consensus, compromise, and negotiation in resolving conflicts?

How do local government agencies balance interests and resolve conflicts?

mediation - A third party helps two parties to help reach a compromise (611)

arbitration - A third party listens to both sides then makes a decision (611)

zoning - Planning method cities use to control land use (ie. zoned for commercial or residential use)

annex – City government may claim land outside its limits

eminent domain - Government may claim private property for public use though it must pay fair compensation

What is the role of debate and compromise in the legislative process?

A member of the House of Representatives or Senate introduces a **bill**

Committee Action

Referred to appropriate **Standing** Committee and subcommittee for hearings and revisions

Recommend passage or to kill the bill

Floor Action

Debated on the floor of the House or Senate
Is voted down, passed, or revised

Conference Action

Conference Committee – members of both houses work out differences
House and Senate each vote on compromise bill
If both pass bill, it goes to the President

Units 5 : Our Economic System

What is Economics?

I. The Economic Problem

A. **economics** = Study of how we make decisions in a world where resources are limited (406)

B. **needs** - Things **required** for survival (407)

wants - Things **we would like** to have

scarcity - When we don't have enough resources to produce all we want. It forces us to make choices

C. The Three Economic Choices :

1. **what** to Produce (407)

2. **how** to Produce (408)

3. **for whom** to Produce

D. **economy** - All the activity in a nation that affects the production, distribution, and use of goods and services

E. **economic models** - simplified representations used to explain the economy

II. Making Economic Decisions

A. Economic choices involve exchanging one good or service for another

Trade-off - The alternative if you do one thing rather than another (410)
(Ex. : watching TV means less time to study)

Opportunity cost - The cost of the next best use of your time or money when you do or buy another thing (411) (Ex. : Attending college to earn more money in the future means losing out on current income from a job)

B. Measures of Cost

fixed costs = Remain the same no matter how much is produced (412)
(Ex. : mortgage payments on a building)

variable costs = Change with the number of products produced (Ex. : raw materials and wages)

total costs = Fixed costs + Variable costs

marginal costs = The additional cost of producing one more unit

C. Measures of Revenue

marginal revenue = extra revenue from selling one more unit of an item (413)

marginal benefit = extra benefit associated with an action

D. **Cost-Benefit Analysis** = comparison of marginal costs versus marginal benefits

E. **market economy** = Supply, demand, and prices help people make decisions and allocate resources (416)

capitalism = Private citizens own most of the means of production (417)

free enterprise = Businesses compete with a minimum of government interference

F. **incentives** = Rewards offered to persuade people to take certain economic actions
(Ex. : price of goods, bonus for meeting sales goal)

G. Role of Government

- Provide **services** not offered by the private sector (418) (Ex. : education, police)

- Tries to ensure that markets are **competitive** so consumers benefit from better products and lower costs

- Rewards and punishes certain actions (Ex. Tax break for hybrid cars or child adoption, penalties for violating environmental laws)

H. Making Wise Choices

Rational choice = Choosing a product of greatest value from among comparable quality products. “Choosing the best for the least” (419)

The American Economy

I. Producing Goods and Services

A. **goods** = Products to satisfy our needs and wants (424)

services = Work that is performed for someone else (Ex. : Haircut)

B. **factors of production** = resources needed to produce good and services

natural resources = Things in nature used in production of goods

labor = Physical and mental efforts of people (425)

capital = Tools, machinery, and buildings used to make other products

entrepreneurs = Individuals who start new businesses and innovations (426)

II. Measuring the Economy

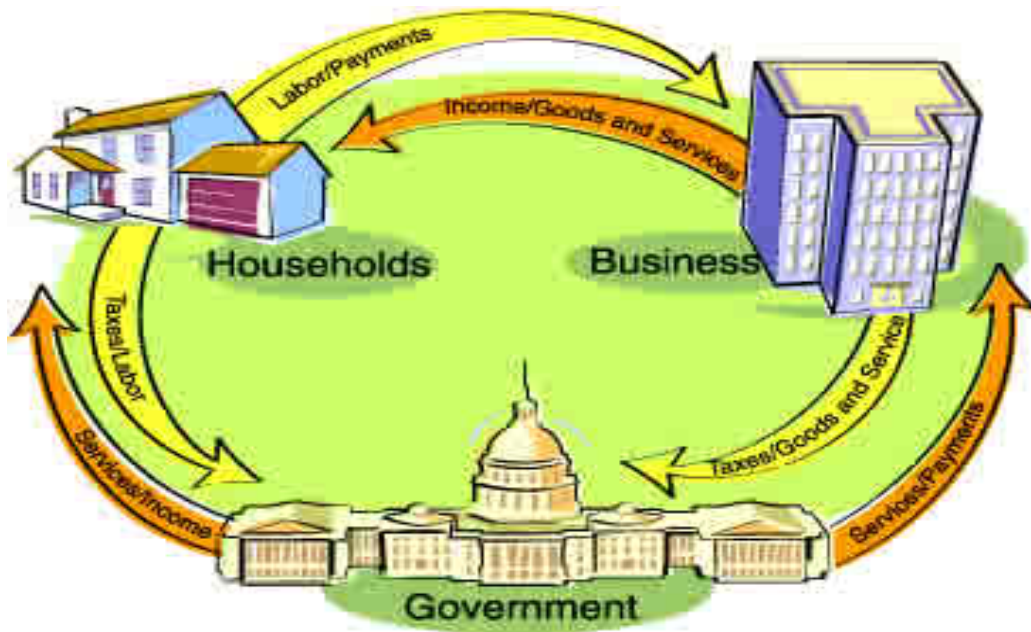
A. **Gross Domestic Product** (G.D.P.) = total monetary value of all the final goods and services produced in a country in a single year (426)

Final goods = product sold to a user, not the parts that went into it.

* Counts only **new** production. Does not count the sale of used goods.

G.D.P. is one measure of **standard of living**, the quality of life based on goods that make life easier (427)

III. Circular Flow of Economic Activity –(521 – 522) See chart below



IV. Productivity and Economic Growth

Growth occurs when the nation's total output of goods increases over time

productivity = Amount produced by a given amount of input (430)

specialization = Concentrating on producing something better than others (431)

division of labor = Breaking down of a job into separate, smaller tasks

human capital = Sum of skills, abilities, and motivation of people (432)

economic interdependence = Relying on others for goods and services while they rely on us

V. Capitalism and Free Enterprise

A. **capitalism** = Individuals own most or all resources (factors of production) and control their use to make money (434)

1. **private property** - freedom to own and use property as individuals (435)

2. **competition** - struggle between buyers and sellers to get the best products at the lowest prices

B. **free enterprise** = Competition is encouraged with minimal government interference (434)

C. **Adam Smith** - Economist who published *Wealth of Nations* in 1776. First to explain and defend free enterprise (437)

D. **laissez-faire** = "let alone"; government should not interfere with the marketplace except to ensure free competition

Supply & Demand

Supply :

I. **Supply** = The various quantities of goods and services producers are willing to supply at all possible market prices (462)

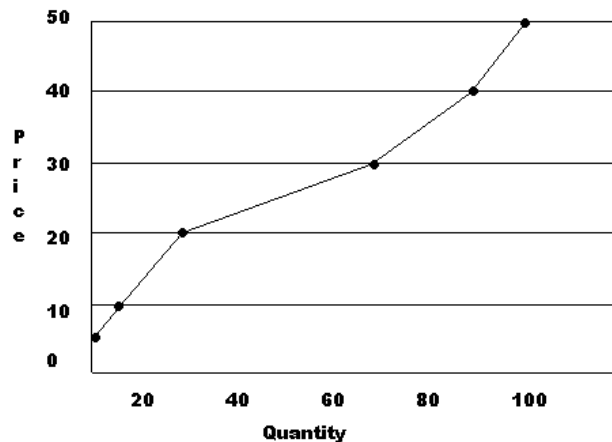
A. **The Law of Supply** : (463)

As the price for a good **rises** the supply will (rise / fall)

As the price for a good **falls** the supply will (rise / fall)

B. **Supply Curve** : A graph of the amount of product supplied at all possible prices

Supply	Schedule
Price	Quantity
\$50	100
\$40	90
\$30	70
\$20	30
\$10	10
\$5	1



II. **Changes in Supply** : (466)

When supply goes down, the supply curve moves to the (left / right)

When supply goes up, the supply curve moves to the (left / right)

Cost of Resources : (467)

When prices of resources go down, the supply curve moves to the (left / right)

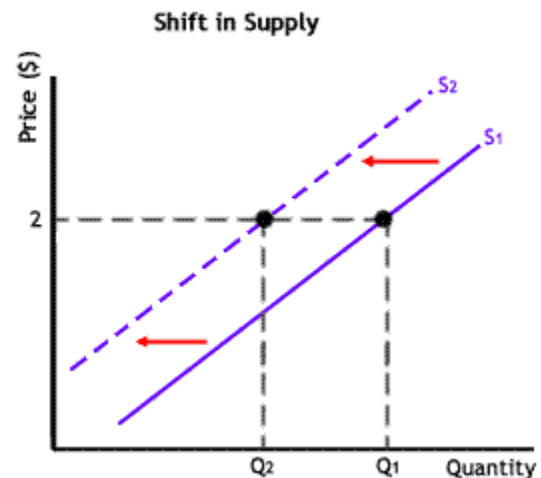
When prices of resources go up, the supply curve moves to the (left / right)

Productivity :

When workers are more productive, the cost to produce each good is (less / more) so (less / more) are produced at every price and the supply curve moves to the (left / right)

Technology : **Methods / processes used to make goods** (**machi**

If technology cuts a business's costs, the supply curve will move to the (left / right) since it will be willing to supply (less / more) at the same price



Changes in Government Policies :

Government regulations [ie. rules or requirements] on producers can affect the cost of production

Stricter government regulations usually (decrease / **increase**) the cost of production and will lead to (**less** / more) supply so that the supply curve moves to the (**left** / right)

Relaxed (looser) regulations usually (**decrease** / increase) the cost of production and will lead to (less / **more**) supply so that the supply curve moves to the (left / **right**)

Changes in Taxes and Subsidies :

Higher taxes for businesses (decreases / **increases**) costs and moves the supply curve to the (**left** / right)

Subsidy = Government payment to individual, business, or group for certain actions

If the government pays a business a subsidy, the costs of the business to produce a good (**decreases** / increases) and the supply curve moves to the (left / **right**)

III. Elasticity of Supply = How much a quantity of a good changes in response to a change in price (469)

If the quantity of the good changes a great deal in response to price changes, the product is said to be (**elastic** / inelastic).

Ex.: Sugar prices drop. A candy factory is able to lower prices then adds a third shift to produce more candy after demand increases

If the quantity of the good changes little in response to price changes, the product is said to be (elastic / **inelastic**)

Ex. : Oil prices go up. Oil companies begin to search for new sources of oil but this is a lengthy process

Demand :

I. **Demand** = Desire, willingness, and ability to buy a good or service (569 - 578)

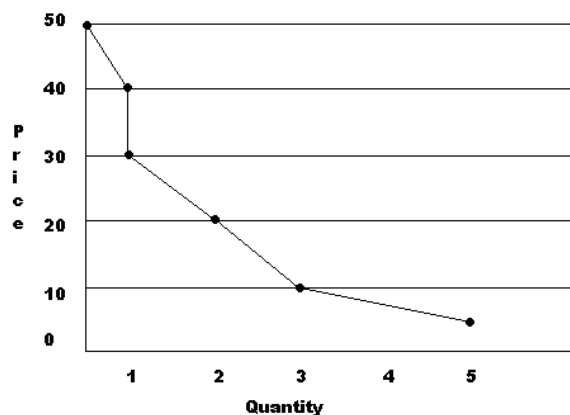
A. Law of Demand

As the price for a good **rises** the demand will (rise / **fall**)

As the price for a good **falls** the demand will (**rise** / fall)

B. **Demand Curve** : A graph of the amount of product that would be bought at all possible prices

Demand	Schedule
Price	Quantity
\$50	0
\$40	1
\$30	1
\$20	2
\$10	3
\$5	5



II. Diminishing Marginal Utility (570 - 571)

utility = pleasure, usefulness, or satisfaction we get from using a product (570)

marginal utility = additional satisfaction from extra product (572)

diminishing marginal utility = gain less additional benefit from more product

Ex. Utility is highest when a hungry person eats a slice of pizza. Each additional slice of pizza gives less satisfaction (ones hunger becomes sated)

III. Changes in Demand : (574)

When demand goes down, the demand curve moves to the (**left** / right)

When demand goes up, the demand curve moves to the (left / **right**)

Changes in Numbers of Consumers : (574 - 575)

When the number of consumers go down, the demand curve moves to the (**left** / right)

When the number of consumers goes up, the demand curve Moves to the (left / **right**)

Changes in Consumer's Income :

When worker's income increases, demand (**decreases** / increases) and the demand curve moves to the (**left** / right)

Changes in Consumer's Tastes :

If a product becomes popular, the demand curve will move to the (left / **right**)

Changes in Consumer's Expectations :

Consumer expectation of a shortage of a good would lead to a (decrease / **increase**) in demand

Consumer expectation of an impending upgrade of a product may lead to a (**decrease** / increase) in demand for the product leading up to the availability of the new upgraded product

Changes in Substitutes : (576)

Substitutes = competing products that can be used in place of the other

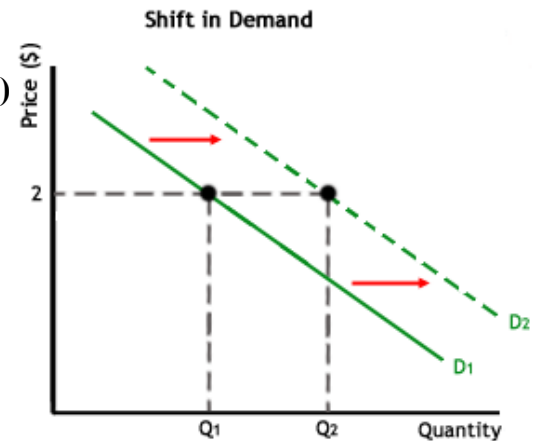
An increase in the price of a product would lead to (**less** / more) demand for that product and a(n) (decrease / **increase**) in demand of the substitute product.

Ex. : Butter goes up in price. Demand for margarine would ... **increase**

Change in Complements : (576)

Complements = products used together (computers and software)

An increase in the price of a product would lead to (**less** / more) demand for that product and a (n) (**decrease** / increase) in demand of the complementary product



III. Elasticity of Demand = Extent to which a change in price causes a change in the quantity demanded (577)

If the quantity of the good demanded changes a great deal in response to price changes, the good is said to be (**elastic** / inelastic).

If the quantity of the good changes little in response to price changes, the good is said to be (elastic / **inelastic**)

Demand for (**substitutes** / complements) tends to be elastic

Markets and Prices : (588 - 592)

Markets = Any place or mechanism where buyers and sellers of a good or service can get together to exchange that good or service

Surplus = Amount by which quantity supplied is greater than that demanded (588)

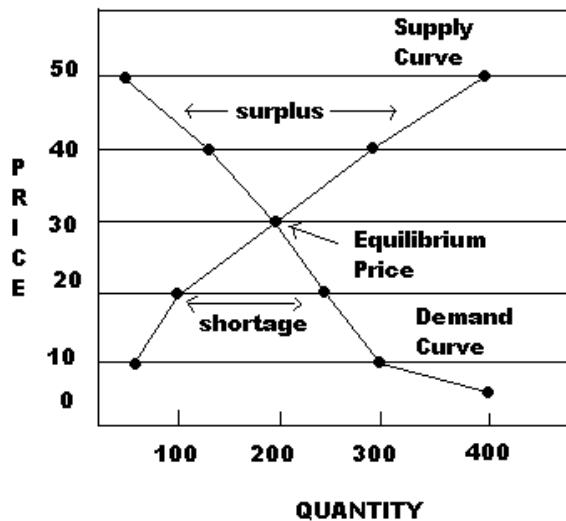
Shortage = Amount by which quantity demanded is higher than that supplied (589)

equilibrium price = Point at which supply and demand are balanced (473)

price controls = If the government sets the price of a product

price ceiling = Maximum price (rent controls)

price floor = Minimum price (ex. minimum wage)



Ex : At \$20 : D= 100, S= 250 so there is a surplus

At \$30 : D= 200, S = 200 so there is price equilibrium

At \$40 : D=125, S = 290 so there is a shortage

Business and Labor :

I. Types of businesses

- proprietorship** - Business owned and operated by a single person (480)
- partnership** - Business owned by two or more people (481)
- corporation** - Business recognized by law as having many of the rights and responsibilities of an individual but subject to more government regulation (482)

charter - Government document granting permission to organize

D. Advantages / Disadvantages

unlimited liability - Business owner / partners are responsible for all debts (481)

limited liability - Corporations, not their owners / shareholders are responsible for the corporation's debts (484)

capital - Money needed to start / run / expand a business

stock - Shares in ownership of a corporation. Makes it easier for corporations to raise money than other forms of business (482)

E. **franchise** - Business sells another business the right to use its name and sell its products (485) (ex. fast food chains)

F. **cooperative** - Type of non-profit business that benefits its members (ex. co-op store, credit union)

II. Labor Unions – Groups of workers who band together to obtain higher wages and working conditions

A. Types of Unions (486)

1. **Craft / Skilled** - Workers with same skills (electricians, plumbers, etc.)
2. **Industrial** - Unskilled workers in the same industry (automobile making, steel, etc.)

B. Levels of Organization (487)

1. **Local** - Serve members in a small geographical area
2. National or International – Comprised of local unions across a country / countries. Help
3. **Federation** - Comprised of multiple unions

American Federation of Labor (A.F.L.) – represents **skilled** laborers, organized by trade

Congress of Industrial Organizations (C.I.O.) – represents **unskilled** workers organized by industry

C. Union – Employer Arrangements (488)

1. **closed shop** - Have to be union member to be hired (closed to non-union workers)
2. **union shop** - Must join union after being hired
3. **modified union shop** - Do not have to join union but may do so

Taft-Hartley Act – Allowed states to ban closed shop and union shop

Right-to-work laws - Prevent unions from forcing workers to join. Prevalent in the **south** (487) which explains why many businesses moved from the “rustbelt” to the sunbelt for cheaper labor costs.

D. Negotiations (488 – 489)

collective bargaining - The union negotiates a contract with the employer on behalf of the workers

mediation - Use of third party to help union and employer reach a compromise

arbitration - Use of third party to settle a disagreement between the union and employer by making the decision

strike - Tactic whereby workers refuse to go to work to pressure the employer to meet their demands
sit down strike. – Workers refuse to work or leave their places in the workplace

lockout - Employer does not allow workers to work until they agree to its terms

The Role of Government

I. Maintain Competition – Government tries to promote competition since free markets leads to fairer prices

monopoly - When a market / industry becomes dominated by one provider
of a good or service (504) [ex. Standard Oil Co. or Microsoft Corp.]

Anti-trust laws - Laws passed to ban monopolies (505)

merger - Joining of two or more companies to form a single business.
Government may prevent this if it unfairly hurts competition

II. Regulating Market Activities

natural monopoly - When it makes sense to have a single provider of a service or good (ex. utilities)
In these cases, the government regulates the industry (ex. utilities must get permission to raise rates)

recall - A company pulls a product off the market due to safety reasons. May be ordered by the
government

Federal Trade Commission - Government agency that deals with problems of false advertising by
businesses or other unfair trade practices

Food & Drug Administration - Government agency that deals with food & drug safety

III. Measuring the Economy

real G.D.P. - Shows a nation's production of goods and services after controlling for price increases
(inflation) – used for year to year comparisons (509)

Consumer Price Index - Tracks inflation by sampling the prices of common consumer goods over time
(511)

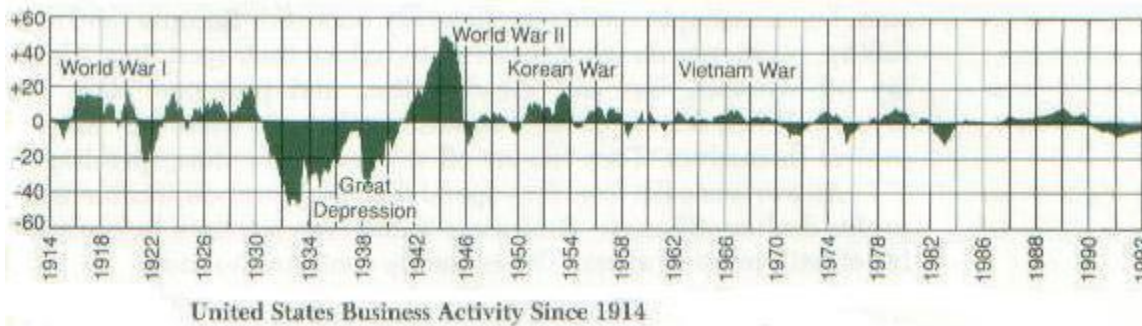
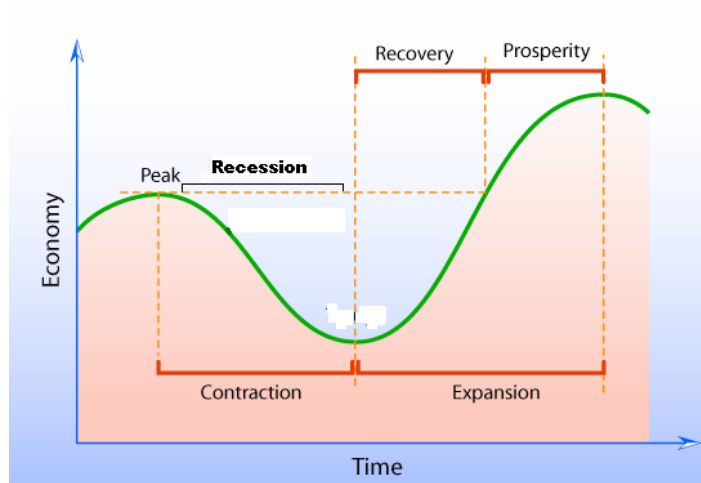
unemployment rate - Measures the number of people unable to find a job (510)

IV. The Business Cycle (509 – 510)

expansion- Real G.D.P. goes up. The economy is growing

recession - Real G.D.P. goes down for at least six straight months. The economy is contracting

depression - Severe and lengthy decrease in G.D.P. and associated with high unemployment (Worst was in 1930s)



Which time periods would you expect high unemployment ?

Periods of economic decline (ex. 1930s)

Which time periods would you expect greater involvement in labor unions by workers ?

Periods of economic decline (ex. 1930s) – workers must band together to maintain wages

V. Managing the Economy (Fiscal Policy)

surplus - When the government spends less than it collects in revenues

deficit - When the government spends more than it collects in revenues

automatic stabilizers - Programs that stimulate the economy (556) (ex. unemployment insurance, welfare, progressive tax system)

VI. International Trade

exports - Goods sold to other countries (564)

imports - Goods bought from other countries

comparative advantage - Ability of one country to produce goods at a lower cost than another (565)

tariff / duty - Tax on imported goods (566) high taxes protect domestic manufacturing from foreign competition

quotas - Limits on number of goods than may be imported

European Union (E.U.) - Trade agreement among 15 European nations to promote free trade (567)

North American Free Trade Agreement (N.A.F.T.A.) - Trade agreement between the U.S., Canada, and Mexico to promote free trade (569)

World Trade Organization (**W.T.O.**) - International organization to oversee trade rules

Cartel – Group of producers that cooperate to control supply and prices (Ex. O.P.E.C. – Organization of Petroleum Exporting Countries)

VII. Stock Market (512 – 513)

stocks – shares of a publicly traded corporation

stock exchange - Place where stocks are bought and sold (ex. N.Y. Stock Exchange)

dividends- Share of a corporation's profits that are paid to shareholders

capital gains - Profit from selling a stock for more than it cost

Securities & Exchange Commission – government agency that enforces fair trade in the stock market

Money, Banking, and the Government

Money has value because we agree that it has value. It is used as a medium of exchange to trade for goods and services, a means to store wealth, and a means to assign a value to a good or service.

currency: Includes both paper money and coins (525)

Types of financial institutions (banks) :

commercial banks: Offer full services to individuals and businesses (526)

savings & loans: Traditionally offer services to individuals

credit unions: Only available to members of the sponsoring group. Operate as not-for-profit banks.

Banking safety : Government regulates and insures the banking industry

Federal Deposit Insurance Corporation (F.D.I.C.): Insures individual accounts in case of bank failure. Resulted from banking crisis of the Great Depression (527)

Federal Reserve Bank : The central bank of the U.S. It was founded in 1913. It lends money to banks (529)

It regulates the practices of banks operating in the U.S.
It holds the government's money

It borrows money by selling **bonds** and **treasury bills** (531)
It issues the nation's currency and regulates its circulation

monetary policy: Changing the money supply by buying or selling bonds (531)

Selling bonds decreases the money supply and raises interest rates
Buying bonds increases the money supply and lowers interest rates

discount rate- Interest rate at which the government lends money to banks (532)
Lowering the rate encourages banks to borrow money and lend to consumers
Raising the rate discourages banks and consumers from borrowing money

Banks make money by accepting deposits from consumers and making loans at a higher rate of interest than they pay to consumers. They offer consumers :

savings accounts : Banks pay interest on consumer deposits (534)

checking accounts : Allow consumers to write checks to pay bills

certificates of deposit (CDs): Pays a higher interest rate but consumers must keep money in the account for a specified period of time or pay a penalty

In 1982, Congress relaxed regulation on Savings & Loans. They began to make riskier investments and this led to the failure of hundreds of S & Ls in what was called the **Savings & Loan Scandal**. Now S & Ls are regulated by the F.D.I.C.

Gramm-Leach-Bliley Act in 1999 gave banks greater freedom to offer other financial services such as insurance and selling securities (stocks and bonds) (537)

Comparing Economic Systems (572 – 575)

Agricultural Economy - Traditional societies with less developed technology. Few goods & services

Type of Economy	Who owns the factors of production?	Who decides what, how, and for whom to produce goods?	Miscellaneous
Market Economy	Private Citizens	Businesses	No pure market economies in the world
Command Economy	Government	Government	Former U.S.S.R., Cuba, North Korea, China (communist nations)
Mixed Economy	Private Citizens	Private Citizens – but government sets regulations	United States and most nations