Why It Matters
The United States and Canada are among the world’s top economic powers. A study of these nations today will reveal how people make their livings, how their economies are interrelated with each other and with other nations, and how their ways of life impact the environment.

Section 1: The Economy
The characteristics and distribution of human populations affect physical and human systems. The economies of the United States and Canada have grown and changed according to where and how the citizens of the two countries live.

Section 2: People and Their Environment
Human actions modify the physical environment. People of the United States and Canada are seeking ways to manage resources, overcome the effects of pollution, and avoid further damage to the environment.

Geography ONLINE
Chapter Overview Visit the World Geography and Cultures Web site at glencoe.com and click on Chapter Overviews—Chapter 7 to preview information about the region today.

The busy port of Vancouver, British Columbia, handles much of Canada’s trade with Asia.
Summarizing Information  Create a Four-Door Book to summarize information about four important aspects of life in the United States and Canada today.

Reading and Writing  As you read this chapter, write down key details about the region’s economic activities, transportation and communications, trade and interdependence, and ways of managing resources under the appropriate door.
The Economy

The United States and Canada have businesses and service industries that thrive in urban areas. Although the economies of the two countries are no longer primarily agricultural, they also continue to be important producers of agricultural products. Many farms are owned by families who keep alive the traditions of previous generations while using new technologies.

Voices Around the World

“...Paris Penfold, a third-generation farmer, agrees to take a break from harvesting his 800 acres of seed potatoes and packing them into a half dozen of the giant Quonset-hut cellars that pepper the valley. He leads me into one of the dark cellars like a proud parent. Standing before a towering mound of spuds, I can feel the heat coming off them. ‘They’re alive,’ Penfold says. ‘We have to manage the temperature with computers to keep them from sprouting in here.’... In the spring these disease-free seed potatoes will be shipped to growers in the Pacific Northwest, to be cut—one eye per piece—for planting.”

—Tom Dworetzky, “All Eyes on Idaho’s Finest,” National Geographic, February 2003
Economic Activities

**MAIN Idea** The United States and Canada have market economies based on growing service and high-tech industries, as well as on manufacturing and agriculture.

**GEOGRAPHY AND YOU** What kinds of jobs do the people in your family and in your community have? Read to learn about the activities that shape the economies of the United States and Canada.

The United States and Canada have market economies, which allow people to own, operate, and profit from their own businesses. A market economy allows businesses to hire employees and pay them for their work. In addition, there are laws to protect private property rights, employment opportunities, and the health and safety of workers.

Like other developed countries, the United States and Canada have moved from mostly agricultural to mostly industrialized economies. As technology transforms the workplace, both countries are developing postindustrial economies, which place less emphasis on heavy industry and traditional manufacturing and more emphasis on service and high-tech businesses.

**Postindustrial Economies**

The largest area of economic growth in the United States and Canada is in service industries. About 75 percent of the region’s workers are employed in service jobs, such as government, education, health care, and banking. Many of these jobs are located in the central business district of urban areas where the high concentration of office buildings and retail shops is easily accessible from the industrial areas as well as from the suburbs. A city’s central business district is its traditional business and commercial center and is referred to as downtown.

The rising postindustrial economy is best reflected in the region’s high-tech industries. In contrast to manufacturing and agriculture, whose locations depend on such factors as access to natural resources and transportation, high-tech industries are less dependent on location. The decision making that influences where they are located is similar to that of a person’s choice of where to live: weather, proximity to work, and access to recreational facilities. For example, California’s Silicon Valley, home to about 20 of the world’s 100 largest high-tech companies, is near a cosmopolitan urban center, has year-round pleasant weather, and offers nearby housing.

**Manufacturing**

Manufacturing accounts for about 20 percent of both the U.S. and Canadian economies. However, advanced technologies such as robotics and computerized automation have transformed manufacturing in the region. Factories now produce greater quantities of goods with fewer workers than in the past.

In the late 1900s the trend away from heavy industry left cities in the Manufacturing Belt, an area extending east from the Great Lakes, without their major economic bases. As companies began to move south to the Sunbelt, some older industrial areas were left with abandoned factories and rusting steel mills. Collectively, they acquired the derogatory nickname the “Rust Belt.” Today, however, many of the cities in this area have converted old factories for use in new industries, a process called retooling.

**The Changing U.S. Workplace**

Transportation equipment and machinery account for a significant amount of the region’s manufacturing and resulting export activities. Aircraft and aerospace equipment are produced in California and Washington, and factories in the Midwest assemble most of the country’s automobiles. Food processing is an important manufacturing activity in California and in the Northeast. Canada, especially Quebec, manufactures and exports wood-based products drawn from its timber resources.
Agriculture

Farming in the United States and Canada is overwhelmingly commercial, with agricultural commodities, or goods, produced for sale. Large commercial corporations, however, account for only 5 percent of farm ownership. Most farms in the region are still owned by families, many of whom have formed cooperative operations.

Large areas of the region are involved in agricultural activities. About 1 billion acres (405,000,000 ha) of land are used for agriculture in the United States. Although it has much less arable land, or land suited for farming, than the United States, Canada still devotes 167 million acres (67,583,000 ha) to agriculture.

While the average size of farms in the United States and Canada has increased since the 1950s, the number of farmers has decreased. Among the factors contributing to this decline are the high cost of farming, unpredictable consumer demand, the risk of natural disasters, and the time and hard work needed to run a farm.

Key Agricultural Products Cattle ranches operate mostly in the western, southern, and midwestern United States and in Canada’s Prairie Provinces. Other important livestock-producing areas include the north-central United States, Quebec, and Ontario. Wheat is grown in the Prairie Provinces of Canada and on the Great Plains of the United States, a region often called the Wheat Belt. The Corn Belt stretches from Ohio to Nebraska. Corn is also grown in Quebec, Ontario, and Manitoba.

Agricultural Technology In the past, geographic factors often limited where certain types of agriculture could be carried out. Cattle ranching, for example, needed the wide-open spaces and natural grasses of the western prairies and plains. Most American dairy farms were concentrated in a belt of land stretching from upper New York State to Minnesota. This region, known as America’s Dairyland, has cooler summers and native grasses ideal for dairy cattle.

The development of breeds of cattle that need less room to graze has opened up the southern United States to cattle ranching. Because of improved feed sources and automation, dairy farms can now be found in every American state and many Canadian provinces.

TRANSPORTATION AND COMMUNICATIONS

MAIN Idea People in the United States and Canada depend on reliable and continually improving transportation and communications systems.

GEOGRAPHY AND YOU What kind of transportation do you use to get to school? Read to learn how the United States and Canada depend on transportation and communications systems to sustain their economies.

The development of reliable transportation and communications systems in the United States and Canada was essential because of the large land area of both countries, their population distribution, and their need to move goods and services.

The Automobile

Since World War II, the most popular means of personal transportation in the region has been the automobile. This extensive reliance on cars has required heavy investment in highways, roads, and bridges, which are also important in the transport of goods. Mirroring population density, the network of U.S. roads is densest along the east and west coasts, as well as along the Mississippi and Ohio River valleys. Canada’s smaller, more concentrated population relies on a smaller network of roads, most of which are located in the southern part of the country. The Trans-Canada Highway runs 4,860 miles (7,821 km) from Victoria, British Columbia, to St. John’s, Newfoundland.

Reliance on the automobile, however, creates air pollution through the burning of gasoline that affects most urban areas. Automakers and government agencies are working together to reduce the use of autos in certain urban districts and to find cleaner, more efficient ways to use fuel.

Another challenge posed by auto use is traffic congestion in the region’s cities. Mass public transportation reduces the number of vehicles. Cities such as Montreal and New York now have well-established subway systems. Los Angeles continues to expand a system that combines subways with elevated train systems. Seattle and Dallas both have monorail systems. Buses and commuter trains are also used to ease congestion.
Other Means of Transportation

For long-distance travel, many people use the region’s busy network of airports. Atlanta’s Hartsfield and Chicago’s O’Hare International Airports vie for the title of the busiest U.S. airport. Toronto’s Pearson International Airport is Canada’s busiest. Passenger railroads and long-distance buses account for only a small portion of the region’s passenger travel.

The transport systems of the region also move goods. Railroads haul about 35 percent of the region’s freight, while about 15 percent is carried along inland waterways. The Great Lakes–St. Lawrence Seaway System is used by both the United States and Canada to transport goods. Barges and ships on the Mississippi River system transport U.S. grain and petroleum products. Long-haul trucks carry about 20 percent of the region’s freight. Airplanes carry only a small portion of the region’s heavy freight, but handle a growing amount of overnight delivery business. Pipelines carry almost one-fourth of the region’s freight in the form of gas and oil.

Communications

The success of the region’s economy has been influenced by the development of communications networks. Cellular and digital services have made telephone communication more mobile. Business transactions and personal communications can be completed instantaneously using e-mail and the Internet. Thousands of television stations, radio stations, newspapers, and magazines provide local, national, and international news. While Canada’s broadcasting and publishing services are publicly owned, private companies operate these services in the United States. Federal government regulations, however, ensure that there is no monopoly, the total control of an industry by one person or one company.

READING Check Movement What are the primary methods for moving goods throughout the region?
Trade and Interdependence

**MAIN Idea** The United States and Canada are connected to other countries through trade and in facing the challenges of global terrorism and building a more peaceful world.

**GEOGRAPHY AND YOU** Do you know where your shoes were made? Was it in another country? Read to learn how the economies of the United States and Canada are connected to other countries.

Expanded trade between countries around the world has led to a *global economy*, the merging of economies in which countries are interconnected and become dependent on one another for goods and services. The United States and Canada, which are among the world’s major trading countries, play a pivotal role in this new global economy.

**Exports and Imports**

The United States spends more on imports than it earns from exports. The resulting *trade deficit*, the difference in value between a country’s imports and exports, is hundreds of billions of dollars. The U.S. trade deficit results from the country’s large consumer population and growing industries that require costly energy purchases. Also, some countries charge high *tariffs*, or taxes, on imports, thus raising the price of U.S. products and reducing their sales abroad.

Canada, by contrast, enjoys a *trade surplus*, earning more from exports than it spends for imports. Canada’s smaller population makes its energy needs less costly. Although both countries are spending more on imports, Canada’s annual export revenues are closer in total amount to imports than those of the United States.

**NAFTA**

As part of the global economy, the United States and Canada are involved in trade agreements. In 1989, the two countries signed the U.S.-Canada Free Trade Agreement (FTA) removing trade restrictions between them. A 1994 pact—the North American Free Trade Agreement (NAFTA)—included these two countries and Mexico. The implementation of NAFTA created one of the world’s largest trading blocs. It eliminated trade barriers, increased economic activity among the three countries, and strengthened their political and economic positions in the global economy.

In recent years, businesses in the United States and other developed countries have changed the geography of production and manufacturing. They have sought lower production and labor costs by *outsourcing*, or setting up plants, service industries, and other businesses abroad to produce parts and products for domestic use or sale.

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**NATIONAL GEOGRAPHIC U.S.-Canadian Interdependence**

- **42,767,731** U.S. Visitors
- **43,857,192** Canadian Visitors
- **$211 Billion in Imports from the U.S.**
- **$288 Billion in Imports from Canada**
- **$228 Billion in Investments from the U.S.**
- **$165 Billion in Investments from Canada**
- **5,069** U.S. Immigrants
- **10,190** Canadian Immigrants

*Note: Figures are given in U.S. dollars.*


**DIAGRAM STUDY**

The United States and Canada have a tradition of exchanging goods and people.

1. **Movement** Which country benefits more from the trading relationship? Why?

2. **Movement** The diagram indicates that there is more immigration from Canada to the United States than from the United States to Canada. What might account for this difference?
Although NAFTA does not allow the free flow of labor from one country to another, it does allow U.S. companies to set up assembly plants in Mexico, where labor costs are lower.

**United Against Terrorism**

As technology, communications, and travel improve and worldwide trading and financial systems become more integrated, terrorist organizations can easily collect and move funds, assets, and people around the world. After the terrorist attacks of September 11, 2001, the United States and Canada created the Smart Border action plan to enhance border security. The plan focuses on monitoring the flow of people and goods, securing infrastructure, and sharing information. The Free and Secure Trade (FAST) program establishes complete and reliable records for all cargo. Tunnels, bridges, and other infrastructure in the border region are watched by both countries, and X-ray machines are used to screen people and cargo. Intelligence sharing and coordination between U.S. and Canadian law enforcement agencies have increased greatly under the Smart Border plan.

**Movement**

How are the United States and Canada connected to other nations?

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**Vocabulary**

1. Explain the significance of: market economy, postindustrial, central business district, retooling, commodity, arable, monopoly, global economy, trade deficit, tariff, trade surplus, outsourcing.

**Main Ideas**

2. What are the reliable and continually improving transportation and communications systems that help sustain the economies of the United States and Canada?

3. How are the United States and Canada connected to other countries through trade? How does the threat of terrorism bring the United States and Canada together?

4. Use a table like the one below to organize details about the growing service and high-tech industries in the market economies of the United States and Canada.

<table>
<thead>
<tr>
<th>Service Industries</th>
<th>United States and Canada</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-tech Industries</td>
<td></td>
</tr>
</tbody>
</table>
People and Their Environment

In the United States and Canada today, years of industrial emissions, automobile exhaust gases, and the use of natural resources have taken their toll on the environment. Curbing dependency on nonrenewable energy sources is an important issue. More and more people are exploring alternative energy sources that are both clean and renewable.

Voices Around the World

“Freedom! I stand in a cluttered room surrounded by the debris of electrical enthusiasm: wire peelings, snippets of copper, yellow connectors, insulated pliers. For me these are the tools of freedom. I have just installed a dozen solar panels on my roof, and they work. A meter shows that 1,285 watts of power are blasting straight from the sun into my system, charging my batteries, cooling my refrigerator, humming through my computer, liberating my life.

The euphoria of energy freedom is addictive. . . . Maybe that’s because for me, as for most Americans, one energy crisis or another has shadowed most of the past three decades.”

—Michael Parfit, “Powering the Future,” National Geographic, August 2005
Managing Resources

**MAIN Idea** People in the United States and Canada are evaluating the negative effects of human activity on the environment and realizing the importance of managing natural resources wisely.

**GEOGRAPHY AND YOU** Do you and your family recycle and use products made from recycled materials? Read to learn about the importance of responsibly managing different types of natural resources.

The natural resources of the United States and Canada have not always been managed responsibly. Clear-cutting, or taking out whole forests when harvesting timber, has destroyed many of the region's old-growth forests, endangered wildlife, and left the land subject to erosion and flooding. Many wetland areas, which include marshes, ponds, and swamps, are disappearing due to conversion to agricultural or urban land uses and pollution. Wetlands protect important water supplies and fisheries and in many cases buffer coastal areas from storms and floods. In New Orleans, for example, the building of levees, or raised embankments, around the city has destroyed nearby wetlands that once protected the area from flooding.

Resource mismanagement also includes ignoring the delicate balance between species in various ecosystems. Overfishing, which occurs when the amount of fish caught exceeds the amount that can be resupplied by natural reproduction, has depleted many of the region's fisheries. The hunting and driving away of certain types of wildlife, such as wolves in western Canada, has led to overpopulation of other types of wildlife. For example, without wolves to prey on elk in some areas of Canada, the elk population has grown out of control. The accidental or deliberate introduction of nonnative plant and animal species, on the rise because of increased global travel and trade, causes a host of environmental problems. These problems include blocked waterways, crop destruction, and displacement of crucial native species. Although efforts to reverse the damage to the environment have begun, the region has a long way to go toward achieving the sustainable use of its natural resources.

**READING Check** Human-Environment Interaction

How have wetlands been mismanaged?

Deliberate fires, known as controlled burns, are used to clear dry brush before it becomes too dense.

**Human-Environment Interaction** How can controlled burns help avoid the devastation that wildfires cause?
Human Impact

MAIN Idea Human-made pollution has damaged the region’s environment in various ways, leading people to actively seek solutions to the problem.

GEOGRAPHY AND YOU Does your community have problems with air or water pollution? Read to learn how economic activities have caused pollution in the United States and Canada and how people in the region are dealing with the issue.

One of the unfortunate consequences of industrial development in the United States and Canada has been the increase in human-made pollution.

Acid Rain

Acid rain, precipitation carrying high amounts of acidic material, affects a large area of the eastern United States and Canada. Acid rain forms when cars, power plants, and factories release chemical emissions such as sulfur dioxide and nitrogen oxide that react with water vapor in the air. Acid rain corrodes stone and metal buildings, damages crops, and pollutes the soil. It is especially damaging to the region’s waters, as plant life and fish cannot survive in highly acidic waters. Over time, lakes can become biologically dead, or unable to support most organisms.

As the map on page 125 indicates, the winds that carry acid rain do not respect local or national boundaries. The source of the pollution may be quite distant from the place where acid rain falls. For example, emissions from the United States result in acid rain in Canada, threatening timber and water resources.

Much of the acid rain in Canada comes from the United States. As a result, in the early 1990s the two countries signed a cooperative agreement outlining a gradual reduction of emissions. Despite some progress, large parts of eastern Canada still suffer from the effects of acid rain.

Smog

The chemicals that create acid rain also contribute to smog. As the sun’s rays interact with automobile exhaust gases and industrial emissions, a visible haze forms, damaging or killing plants and harming people’s eyes, throats, and lungs.

Officials in many of the region’s metropolitan areas measure air quality on a daily basis. When emissions interact with climate conditions and create dangerous levels of smog, officials issue air quality alerts urging children, the elderly, and people with respiratory problems to stay indoors. Authorities may prohibit nonessential driving and the use of other gasoline-powered engines.

Clean-air practices have substantially reduced air pollution in some major cities, and still more is being done. Car manufacturers are producing fuel-efficient hybrid vehicles that have both an electric motor and a gasoline motor that work together. Engineers continue to research fuel cell vehicles, which produce electricity using hydrogen fuel and oxygen; biofuel vehicles, which use fuel from organic sources such as plant oils; and solar-powered cars. Legislation requires the reduction of sulfur and other pollutants in fuels. Smog can also be reduced by using alternatives to automobiles—walking, bicycling, or public transportation.
**Water Pollution**

Water systems in the region have also become polluted by the introduction of sewage and industrial and agricultural wastes. Industrial wastes may be illegally dumped into rivers and streams or may find their way through small, unnoticed leaks into the groundwater. Industries also cause thermal pollution by releasing heated industrial wastewater into cooler lakes and rivers. Runoff from agricultural chemicals, such as fertilizers and pesticides, also pollutes the region’s water.

Water pollution has harmful effects on marine life and on the birds and other animals that feed on fish or breed in wetlands. The toxic chemicals and wastes that pollute the water supply also endanger humans. In 2000, seven people in Walkerton, Ontario, died and thousands became ill after groundwater contaminated with animal wastes entered Walkerton’s water supply.

Water pollution also speeds eutrophication (yu•troh•fuh•KAY•shuhn), the process by which a body of water becomes rich in dissolved nutrients, encouraging overgrowth of small plants, especially algae. The algae growth can deplete the water’s oxygen, leaving none for fish. Algae overgrowth can also turn a lake first into a marsh and over many years into dry land.

**Reversing the Effects of Pollution**

In 1972 the United States and Canada signed the Great Lakes Water Quality Agreement to combat pollution in the lakes. The United States also passed the Clean Water Act, mandating measures to restore the quality of U.S. waters.

In New England, this law forced an end to asbestos dumping in the Nashua River and spurred the construction of wastewater treatment plants. These facilities protected the river from paper pulp, chemical dyes, and other industrial wastes. Like many of the country’s waterways, the Nashua River slowly regained its health. Today it is once again safe for wildlife and people.

The passage of NAFTA, however, has shifted some environmental concerns south to the U.S.-Mexico border. Along the Rio Grande, rapid industrial growth threatens the environment. Various agencies are monitoring the environmental effects of NAFTA and suggesting ways to reduce pollution.
Future Challenges

MAIN Idea Responding to global warming and developing clean, efficient, renewable energy sources are challenges for the future of the region.

GEOGRAPHY AND YOU What kind of environmental challenges does your community face? Read to learn about the challenges that lie ahead for the United States and Canada.

People in the United States and Canada are concerned about the possible effects of global warming. Natural forces, such as volcanic eruptions, account for some, but not all, of the climate changes. Most experts agree that human activity has most likely accelerated warming trends. The clearing of forests and the burning of fossil fuels result in the greenhouse effect. In fact, the level of carbon dioxide in the atmosphere is higher now than it has been for thousands of years.

The effects of global warming can be seen in the Arctic regions of Alaska and Canada. Thinning sea ice has forced caribou, polar bears, and seals, on which the hunting lifestyle of the Inuit depends, to move farther north. The permafrost is beginning to thaw, buckling the land, weakening the foundations of houses, and causing villages to sink.

In response to global warming and greenhouse gases, the United States and Canada are working to diversify energy sources to lessen the dependence on fossil fuels. Governments offer subsidies and put pressure on utility companies to limit emissions and include renewable energy sources in their future plans. Solar panels and biofuels made from corn and other organic sources are among the potential renewable energy sources. Dependability, efficiency, and cost are factors as people examine whether these sources can keep up with the region’s energy needs.

Reading Check Human-Environment Interaction What types of human activities have contributed to global warming?

SECTION 2 REVIEW

Vocabulary
1. Explain the significance of: clear-cutting, overfishing, acid rain, smog, eutrophication.

Main Ideas
2. Describe specific situations that are helping people in the United States and Canada realize the importance of managing natural resources wisely.
3. What are the environmental challenges for the future? How is the region beginning to respond to these challenges?
4. Use a flowchart like the one below to list the causes of human-made pollution and its effects on the environment in the United States and Canada. Then describe the solutions people have used to solve these pollution problems.

Problem → Causes → Effects → Solutions

Critical Thinking
5. Why is it important for the region to manage resources responsibly?
6. Determining Cause and Effect Describe the effects of water pollution on the region’s environment.
7. Analyzing Information Why is it important for Canada and the United States to work together to reduce pollution?

Writing About Geography
8. Descriptive Writing Pollution and the overuse of resources affect areas of the region in different ways. Write a descriptive paragraph about one setting within the United States or Canada, explaining how an environmental problem has affected it.

Geography ONLINE
Study Central™ To review this section, go to glencoe.com and click on Study Central.
The Region Today

Changing Economies

1900
- New technologies brought about a shift in the economy.
- Mass production made goods cheaper to produce and buy.
- Farming technology allowed fewer people to produce more crops.

2000
- Service industries dominate the economies of the United States and Canada.
- Many industrial jobs have been outsourced or can now be done with robots.
- Advanced communications and transportation have helped the United States and Canada become world leaders.

Environmental Crisis?
- The United States and Canada have mismanaged resources in the past.
- Pollutants were released into the air that have since caused acid rain, smog, and water pollution.
- New technologies, alternative energy sources, and stricter environmental standards are some of the ways the United States and Canada are repairing the environment.
Reviewing Vocabulary

Directions: Choose the word or words that best complete the sentence.

1. Setting up plants abroad to produce parts and products for domestic use or sale is known as ________.
   A. retooling  
   B. eutrophication  
   C. outsourcing  
   D. clear-cutting

2. A country has a ________ when it earns more from exports than it spends for imports.
   A. trade deficit  
   B. trade surplus  
   C. tariff  
   D. market economy

3. Water pollution speeds ________, the process by which a body of water becomes rich in dissolved nutrients.
   A. gentrification  
   B. retooling  
   C. clear-cutting  
   D. eutrophication

4. ________ is the total control of a type of industry by one person or one company.
   A. Oligopoly  
   B. Partnership  
   C. Monopoly  
   D. Theocracy

Reviewing Main Ideas

Directions: Choose the best answers to the following questions.

Section 1 (pp. 166–171)

5. Both the United States and Canada have a ________ economic system.
   A. socialist  
   B. pure capitalist  
   C. market  
   D. command

6. Air pollution and increased traffic congestion are both results of the reliance of the United States and Canada upon ________.
   A. fossil fuels  
   B. automobile transportation  
   C. mass public transportation  
   D. a market economy

Section 2 (pp. 172–176)

7. The clear-cutting of forests in the United States and Canada has caused
   A. destruction of old-growth forests.  
   B. a loss of fertile farmland.  
   C. the creation of new wetland areas.  
   D. an increase in the wildlife population.

8. The majority of human-made water pollution in the United States and Canada has been caused by
   A. acid rain and the introduction of sewage and industrial and agricultural wastes to the water systems.  
   B. a decrease in eutrophication and increase in overfishing.  
   C. smog and the clear-cutting of the regions forests.  
   D. increased environmental regulations.
**Critical Thinking**

*Directions: Choose the best answers to the following questions.*

9. How has the agricultural industry of the region changed over the last 50 years?
   - A There is a growing dependence upon small farms.
   - B The average size of farms has increased, while the number of farm workers has decreased.
   - C Canada’s land percentage has surpassed that of the U.S.
   - D Most farms are owned by commercial corporations rather than by families.

Base your answers to question 10 on the map below and your knowledge of Chapter 7.

10. Which cities shown are most affected by acid rain?
   - A Detroit, Chicago, Montreal, and Quebec
   - B Detroit, Chicago, and Cleveland
   - C Cleveland, Pittsburgh, Buffalo, and Toronto
   - D Montreal, Detroit, Buffalo, and Pittsburgh

**Document-Based Questions**

*Directions: Analyze the document and answer the short-answer questions that follow the document.*

In January 1994, the United States, Canada, and Mexico formed the North American Free Trade Agreement (NAFTA), one of the world’s largest trading blocs. The document below is an excerpt from the preamble to the agreement.

The Government of Canada, the Government of the United Mexican States and the Government of the United States of America, resolve to:

- **STRENGTHEN** the special bonds of friendship and cooperation among their nations;
- **CONTRIBUTE** to the harmonious development and expansion of world trade and provide a catalyst to broader international cooperation;
- **CREATE** an expanded and secure market for the goods and services produced in their territories;
- **REDUCE** distortions to trade;
- **ESTABLISH** clear and mutually advantageous rules governing their trade;
- **ENSURE** a predictable commercial framework for business planning and investment; . . .
- **CREATE** new employment opportunities and improve working conditions and living standards in their respective territories;
- **UNDERTAKE** each of the preceding in a manner consistent with environmental protection and conservation;
- **PRESERVE** their flexibility to safeguard the public welfare;
- **PROMOTE** sustainable development;
- **STRENGTHEN** the development and enforcement of environmental laws and regulations; and  
- **PROTECT** enhance and enforce basic workers’ rights; . . .

11. NAFTA provides for cooperation on issues other than trade. What are some of these issues? Why might they be included in a trade agreement?

**Extended Response**

12. What steps have the United States and Canada taken to combat pollution? What other steps could they take?
THE GLOBAL ECONOMY: What happens when people overseas are used to fill jobs that Americans have been doing?

Factories close and operations move to another country. Office work is also being done by people in foreign countries. When you call tech support for help with your computer, there is a good chance you are talking to someone in India. When you board a plane and the gate agent scans your boarding pass, someone in another country compiles the information and e-mails it back to the airline. This transfer of work to people in other countries is called **outsourcing**.

Understanding the Issue

Outsourcing, and the involvement of the United States in this business practice, can be examined from various perspectives.

A Moral Issue Some people argue that U.S. companies have an obligation to keep their employees working and that laying them off, even for economic reasons, is morally wrong. Workers may have difficulty finding new jobs that offer the same pay and benefits as the jobs they lost. Older workers may not be able to find new jobs of any kind.

An Economic Dilemma U.S. companies today face competition from countries where wage rates are much lower and companies do not have to provide health insurance, which can be extremely expensive. Companies try to find the least expensive places to conduct business. Modern transportation and communications technology often make it cheaper to have goods made where wage rates are low and then transported to market than to make them in the United States. Information can be sent electronically in a split second at almost no cost, and many foreign countries are educating more of their people to higher levels than ever before. U.S. consumers benefit from lower prices, and shareholders benefit from larger corporate profits.

A Political Problem Laid-off workers in the United States face a lower standard of living. They often demand that the government provide such help as unemployment benefits and job training. They may become angry at immigrants who seem to be taking jobs at lower wages. People who believe that government aid simply makes people lazy and unwilling to work will oppose their demands.
Possible Solutions

Outsourcing and its role in the global economy vary from one industry to another, as well as from region to region. So several solutions are possible.

Improved technology Technology such as computers and robots can make workers more productive. Companies that find moving overseas difficult have been active in developing such technology.

Educated workforce Advanced technology requires training to be used to its fullest potential. Better-educated workers can also solve problems more quickly, develop more efficient work routines, and produce higher quality goods and services.

Shifting to person-to-person services Some jobs are difficult to outsource. You cannot easily get a haircut in another country, for example. Concentrating on services that must be done where people are, while moving other jobs to a more cost-effective location, assures that workers have jobs.
The primary sources listed below give information about the effects of outsourcing. Use these resources, along with what you learned in Unit 2, to complete the activities listed on the next page.

The Situation

**Primary Source 1**


Outsourcing is good for both the exporter and the importer of goods and services.

The fact that foreign competition now impinges on services as well as manufacturing raises no new issues of principle whatever. If a car can be made more cheaply in Mexico, it should be. If a telephone enquiry can be processed more cheaply in India, it should be. All such transactions raise real incomes on both sides, as resources are advantageously redeployed, with added investment and growth in the exporting country, and lower prices in the importing country. Yes, trade is a positive-sum game.

Possible Causes

**Primary Source 2**

Excerpt from “With Three Million Manufacturing Jobs Lost in the U.S. in the Last Five Years, Where Will Your Grandchildren Be Working?” as quoted in PRNewswire, March 30, 2006, from the *Houston Chronicle*.

The problem with the loss of American middle-class jobs is not outsourcing of manufacturing but overspending on management and corporate luxuries.

Tony Harvill [of Revitalizing American Manufacturing Consulting] insists that U.S. manufacturing jobs do not have to go overseas. However, right now, American manufacturing companies are not doing enough to stop the job drain. They’re taking the easy road out and have given up. Meanwhile millions of middle class workers continue to suffer in this country. Their grandchildren don’t have a chance.

Harvill stands ready to deflate the myths about outsourcing. Cheaper labor is not the real cost problem. Other costs are. “These costs are driven by management and egos of management,” says Harvill. . . . The first place to streamline and downsize is in administration, management and corporate expenses.

Possible Solutions

Primary Source


While some economists argue that jobs lost to outsourcing will be replaced by jobs in other fields, others counter that many displaced workers, even managers, will never find good replacement jobs.

The debate over the impact of global outsourcing continues to rage, with Nobel Prize winner Paul Samuelson and Columbia professor Jagdish Bhagwati coming down on opposite sides of the issue. . . .

Proponents of free trade assert that jobs lost will be replaced in an economy that is dynamic and constantly innovating.

Bhagwati points to the example of displaced radiologists who move to other in-demand medical professions such as plastic surgery, or displaced professionals who shift focus to become computer software applications engineers.

How realistic is it to expect professionals to morph into something else midway through their careers?

Pretty unrealistic unless there’s a fundamental shift in our support of education and retraining. . . .

What seems evident so far?

Yes, corporate earnings and investors are benefiting.

Yes, American consumers are benefiting from cheaper prices because of global outsourcing.

Yes, American workers are dislocated—perhaps permanently in the manufacturing sector and significantly among professional and white-collar employees whose jobs won’t return unless the country invests substantially in their retraining and education. Although it will be a while until we can determine the “right” answer to the outsourcing debate, there should be little disagreement on at least one point: Education and reeducation is an investment we can’t afford to outsource.

Analyzing the Case

1. Drawing Conclusions Review the information in the primary sources above. How is outsourcing related to unemployment in the United States?

2. Making Predictions In the next 25 years, is the trend of more non-manufacturing jobs moving overseas likely to continue? Explain your answer.

3. Conducting a Debate Use the following questions to conduct a class debate on outsourcing:

   • Why do companies want to close American facilities and open new facilities overseas?
   • What effects do these changes have on American families?
   • What role, if any, can the federal and state governments play in easing the problems that families face in these situations?

4. Writing About the Case Write an essay in which you argue for or against government action to halt the movement of jobs to other countries.