

CHAPTER 34 Section 2 (pages 1075–1079)

The New Global Economy

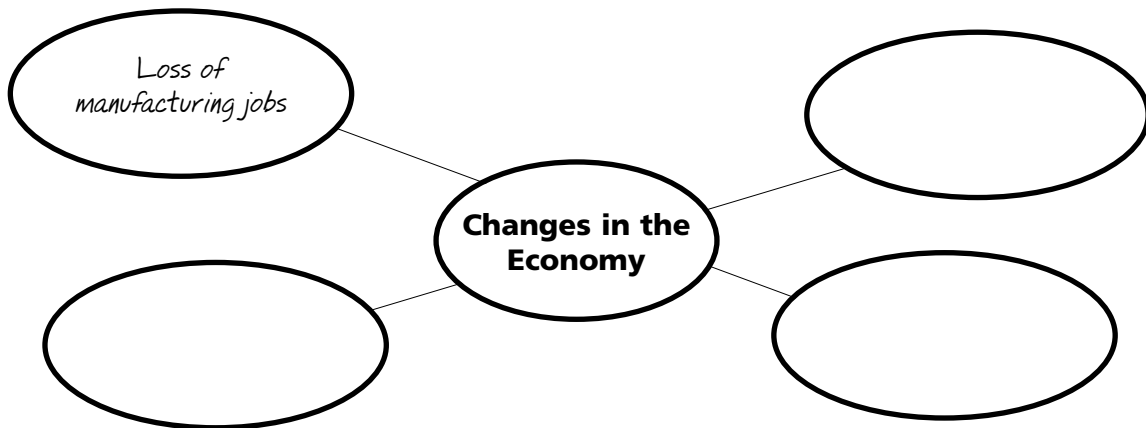
BEFORE YOU READ

In the last section, you learned about the presidencies of Bill Clinton and George W. Bush.

In this section, you will read about the economic issues that Americans faced at the end of the 20th century.

AS YOU READ

Use the web below to take notes about the major changes that occurred in the U.S. economy at the end of the 20th century.



TERMS AND NAMES

service sector The part of the economy where businesses provide services rather than material goods

downsize To reduce the number of workers on staff

Bill Gates Extremely successful owner of Microsoft, a computer software company

NASDAQ The technology-dominated stock index

dotcom Internet related business

GATT International trade agreement

The Shifting American Economy

(pages 1075–1077)

What changed for American workers?

There was good news and bad news about the economy between 1993 and 2000. Millions of new jobs were created. By 2000, the unemployment rate had fallen to the lowest it had been since 1970. But wage inequality between upper-income and low-income Americans also grew.

There was an increase of jobs in the service sector. The **service sector** is the part of the economy that provides services to people. By 2000, nearly 80 percent of American workers were teachers, medical professionals, lawyers, engineers, store clerks,

waitstaff, and other service workers. The largest growth in the service sector came in jobs that paid low wages. These included jobs such as sales clerks and janitors.

Many companies **downsized**—reduced staff in order to cut costs. They hired temporary workers to replace full-time staff. This had serious *consequences* for the workers. Most temporary workers had lower wages, little job security, and few benefits. This led many workers to feel insecure about their jobs.

Manufacturing jobs declined sharply in the 1980s and 1990s. The loss in jobs in manufacturing led to a drop in union membership. Workers with high-paying jobs saw no need to join unions. Workers with low-paying jobs were too worried about losing their jobs to join unions.

Workers in high-tech fields such as computers, made up about 20 percent of the work force. These new high-tech jobs demanded that workers have special skills. Most workers who had high-tech jobs earned high salaries.

By the 1990s, some people who had creative ideas about computers made fortunes. **Bill Gates** was one of these people. He founded Microsoft, a computer *software* company. By 2000, he had assets of more than \$60 billion. This made him the wealthiest man in the world.

High-tech business traded on the **NASDAQ** (National Association of Securities Dealers Automated Quotation System) exchange grew rapidly. These Internet businesses called **dotcoms** created fortunes for their founders. But the stocks of these businesses were terribly overvalued, and beginning in 2000 the NASDAQ fell sharply. Despite the decline, new industries such as web security, and wireless communication had been founded.

1. What were three changes in the workplace in the United States during the 1990s?

Change and the Global Economy (pages 1078–1079)

What is the global economy?

Improvements in transportation and communication allowed people, goods, and information to move around the world faster than ever. One of President Clinton’s major foreign policy goals was to expand trade.

In 1994, the United States joined other nations in signing a world trade agreement called **GATT** (General Agreement on Tariffs and Trade). GATT lowered tariffs. It also set up the World Trade Organization (WTO). This organization was created to settle trade disputes.

Many people believed that GATT would be good for the U.S. economy. But many American workers feared they would lose their jobs. They thought it would help companies make products in countries where wages were low.

Many low-wage American jobs were lost as a result of NAFTA. But exports to Canada and Mexico increased. By 1997, there were 300,000 more jobs in the United States than there had been in 1993.

Developing nations also offered some businesses the chance to avoid laws on the environment. For example, in Mexico, many assembly plants dumped dangerous chemicals on Mexican soil.

2. In what ways did President Clinton try to expand trade?

Persons Employed in Three Economic Sectors*			
Year	Farming	Manufacturing	Service Producing
1900	11,050	7,252	6,832
1950	6,001	18,475	20,721
2006 (projected)	3,618	24,451	111,867

*Numbers in millions
Sources: Historical Statistics of the United States, Colonial Times to 1970; Statistical Abstract of the United States, 1953, 1954, 1999

Skillbuilder

Use the table to answer the questions.

1. What sector of the U.S. economy has seen the greatest increase in workers?

2. How many more people are expected to be employed in manufacturing than in farming in 2006?
