

CHAPTER 26 Section 2 (pages 853–857)

The New Global Economy

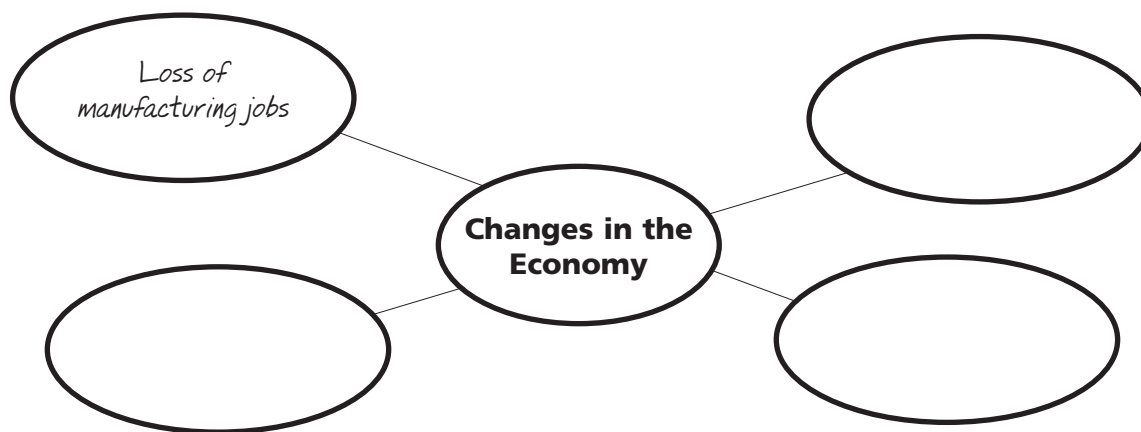
BEFORE YOU READ

In the last section, you learned about the presidency of Bill Clinton.

In this section, you will read about the economic issues that Americans faced in the 1990s.

AS YOU READ

Use the web below to take notes about the major changes that occurred in the U.S. economy during the 1990s.



TERMS AND NAMES

service sector The part of the economy where employees serve their customers

downsize To reduce the number of workers on staff

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

GATT International trade agreement

The New Service and High-Tech Economy (pages 853–856)

What changed for American workers?

Americans heard a great deal of good news about the economy in the 1990s. But many American workers still struggled. Ten million new jobs had been created. But many families now needed two incomes to make ends meet. And the average family income decreased.

Some economists blamed the problems of workers on companies that made their goods in countries with lower labor costs. Other economists blamed people's problems on high taxes. They said

these taxes kept companies from growing faster and creating jobs.

Places of work changed in the 1990s. One change was the loss of jobs in *manufacturing*. This is the part of the economy that makes goods such as automobiles.

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 1996, more than 60 percent of American workers held jobs in the service sector. The largest growth in the service sector came in jobs that pay low wages. These include 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.

Starting in the 1970s, jobs in the manufacturing sector began to disappear. In the 1990s, machines did many jobs that people used to do. 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 1997 he had assets of more than \$39 billion. This made him the wealthiest man in the world.

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

Change and the Global Economy (pages 856–857)

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.

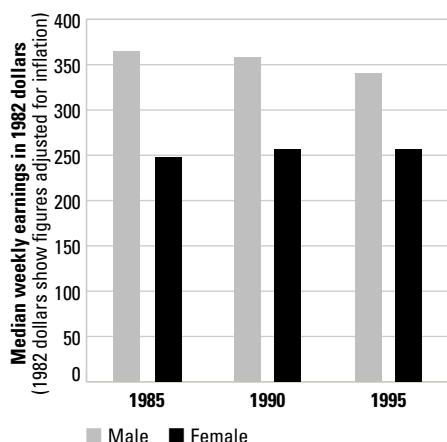
Many people believed that GATT would be good for the U.S. economy. But many American workers feared they would lose their jobs. They thought it would help companies make products in countries where wages are low.

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 way did President Clinton try to expand trade?

WOMEN'S AND MEN'S INCOME



Source: U.S. Bureau of Labor Statistics

Skillbuilder

Use the graph to answer the questions.

1. How much money did the average woman earn each week in 1985?

2. Were women's wages closer to men's wages in 1985 or 1995?

Chapter 26: The United States in Today's World (pages 844–875)

Section 2: The New Global Economy (pages 853–857)

1. Possible responses: losses of jobs in manufacturing, increases in jobs in the service sector, downsizing, increases in high-tech jobs
2. Clinton tried to expand trade by supporting NAFTA and GATT.

Skillbuilder

1. Nearly \$250
2. 1995