

Essential Question?

How does economics affect people, businesses, communities, and governments?

The International UFO Museum and Research Center is located in Roswell. Although aliens might seem a little out of this world, they play a part in New Mexico's economy. How?



Our State Economy

Chapter 8



Comprehension Strategy

Take Notes

When studying new information, taking notes can be very helpful. We can write down thoughts we have about the text as we read. You might write things you find interesting. You might want to write things you do not understand. Any notes you take help you comprehend what you read.

In this chapter, you will learn three different ways to take notes as you read about New Mexico's state economy.

LESSON 1

Understanding Economics

Key Ideas

- Trade means buying and selling, or exchanging, one thing for another.
- Money is the most widely accepted means of exchange in most countries.
- Banks provide a service by helping people manage their money.

Key Terms

barter
coerce
consumer
currency
deposit
economics
interest
producer



You have probably heard the word **economics** many times during your life. Do you know what it is? In the simplest terms, economics is the study of the ways goods and services are produced, bought, and sold. Because economics is all about money, it affects all of us.



Comprehension Strategy

Two-Column Notes

It is important that everyone have good health care. How is the health care industry important to the economy?



Trade

To understand economics, we first have to understand trade. Trade simply means exchanging one thing for another. Have you ever traded something with a friend? Trading is also called bartering. **Bartering** means to exchange goods or services without involving money.

For example, let's say you have a hoodie you never wear, but your friend wants it. If your friend gives you something in exchange for your hoodie, such as paying for your lunch, you have made a trade. You exchanged something you did not want (your hoodie) for something you did (a hamburger and fries). You have just made an economic exchange!

Buying and Selling

The most common type of trade is buying and selling. When you buy something, you trade something you have (money) for something you want (the item you purchase). When you



spend money to buy something, you are a buyer, or **consumer**.

Now imagine you own a store. You have stocked the store with goods you have purchased from manufacturers, or **producers**. Since your store is providing goods for people to buy, you are a seller. As a seller, you want customers to come into your store and give you money in exchange for the things they buy from you, not other goods.

Grocery stores carry many goods we use every day, like these vegetables. Who are the producers of these goods? Who are the consumers?

Voluntary Trade

When people trade, do both sides always win? In the example of the hoodie and lunch, the hoodie probably cost more than a burger and fries, but since you no longer wanted the hoodie, you were satisfied with the trade. You voluntarily agreed to the exchange, and both you and your friend now have something that satisfies you more than the thing you traded away.

Now, in a different example, imagine you are wearing your favorite hoodie and someone older, stronger, and more powerful than you demands that you give it to him. Imagine further that the person makes threats against you if you do not do what he says. In our example, you reluctantly hand over your hoodie, and the person throws a \$5 bill on the ground at your feet. He walks away saying, "Now you can't say I stole it." You gave away something and you received something in return, but was this a fair exchange? Are you satisfied? Did you volunteer to make the trade, or were you **coerced**, or forced, to do it?

There is a vast difference between a voluntary trade, like you and your friend agreed to, and a coerced trade. As long as trade is voluntary, people make the exchange because they expect to be better off as a result. The value of what they gain is thought to be greater than or equal to what they give up.

With coercion, the person or group that was short-changed will refuse to do business with or even help the person or group that took advantage of them. The person or group that was short-changed may even hope to reverse the exchange and somehow get the goods or property back. Consider the many times trade was coerced rather than voluntary in New Mexico's history. What were the results of the coerced exchanges at the time? What are the results today?



There are many different ways to pay for goods and services. What form of payment is this woman using?

holder of a note could come in and exchange it for silver or gold or use the note as money to buy things in local stores.

After a time, state governments printed money, but people in other states sometimes did not trust its worth. Then the U.S. government printed paper money and made coins that could be used across the country and around the world. Other countries did the same. Most countries have their own **currency**, or paper and coin money. Foreign currencies are not usually accepted by American businesses, but they can be exchanged for U.S. currency at most banks.

Checks, Debit Cards, and Credit Cards

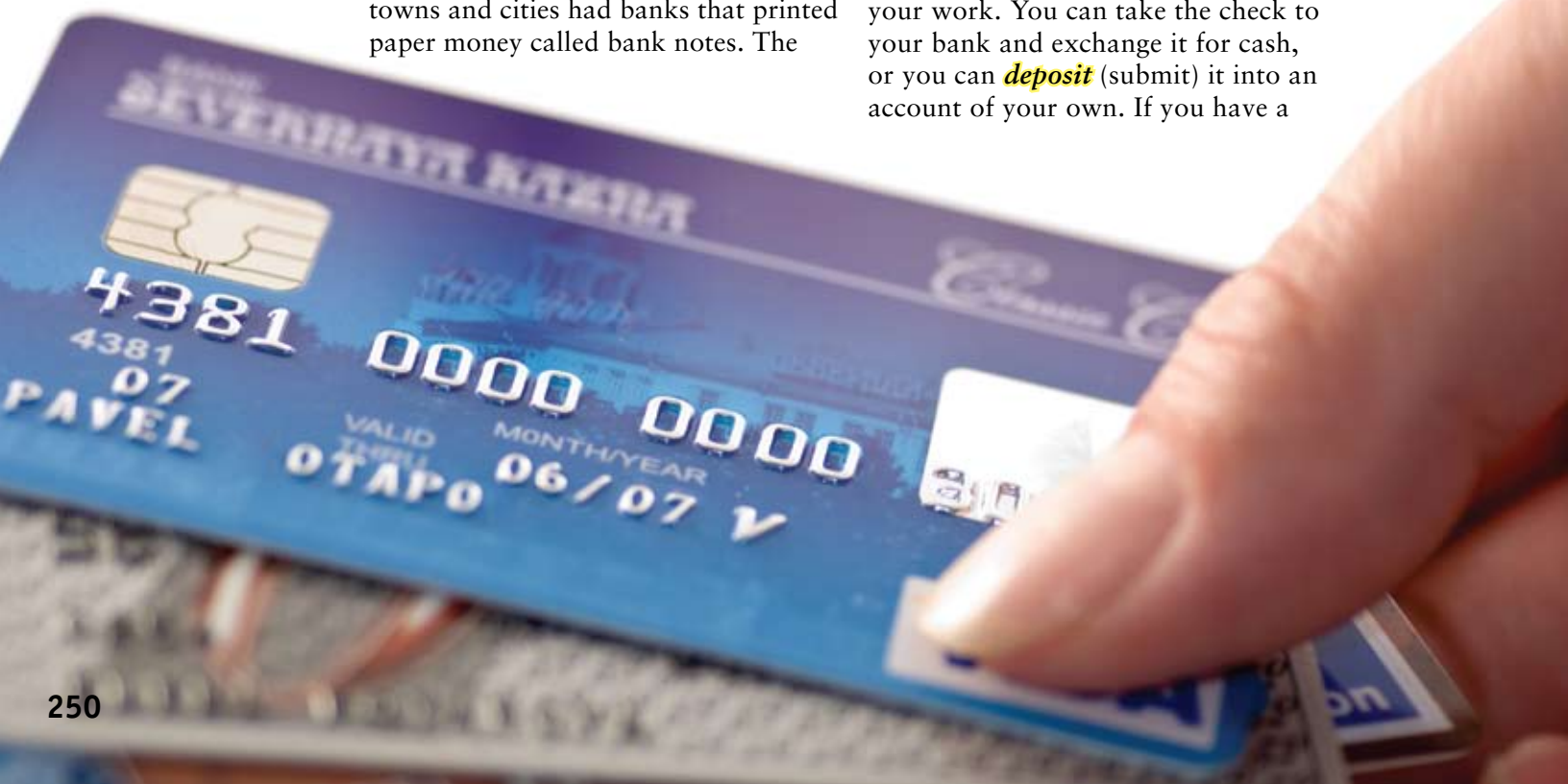
Long ago, the only options for getting the goods people wanted were to trade (barter) for them or to spend cash money (buy) for them. Today, consumers in the United States have many spending options, including checks, debit cards, and credit cards. People can still use cash if they want, but they do not have to.

A check is a document that represents money. A check is always written from one person or business to another. For example, when you go to work, the company you work for will probably write a check to pay you for your work. You can take the check to your bank and exchange it for cash, or you can **deposit** (submit) it into an account of your own. If you have a

Money

Today, people in most societies use money to buy what they need, but this was not always the case. Indians used the barter system to exchange items they had for those they wanted. Fur traders sometimes used gold or silver coins from their native country. Later, towns and cities had banks that printed paper money called bank notes. The

People often use credit cards instead of cash to pay for goods and services. How are credit cards different from cash?



checking account, then you can write checks to other people or businesses. But you may write checks only for the amount of money you have in your account.

Another way to spend the money in your checking account is by using a debit card. Debit cards look like credit cards, but they work very differently. Debit cards are used to access the money you have deposited into your checking account. Instead of writing a check, you just swipe your card in the machine at the check stand. Then the business where you made a purchase will deduct the money from your bank account. The next time you look at your account balance online, you will see the amount of your purchase subtracted from your balance. Checking your account balance often allows you to keep track of your money.

Credit cards, on the other hand, are a way to postpone paying for things. When you slide a credit card through the machine at a store, the money is not removed from your account at the bank. Instead, each time you use a credit card, you borrow money. Each of those loans is called a charge. As long as you are using a credit card, you will get a monthly statement showing all your charges. The total of all your charges is called an account balance. When your statement comes, you can pay your entire balance or just part of it.



Interest

One of the biggest drawbacks to using a credit card to purchase something is the interest companies charge cardholders. **Interest** is a fee charged for borrowing money. Banks also charge interest on loans. When you borrow money, it ends up costing you more because of the interest you must pay.

This couple is reviewing their bank statements. Why is it important to monitor and understand a bank statement?

What Do You Think?

Do you think it is ever a good idea to buy something on credit? If so, why? If not, why not?

Where Does Government Money Come From?

Have you ever thought about all the things the government pays for? If you attend a public school, the government pays for your building, your teacher, and even this textbook. The government also pays for roads, the police, the fire department, and much more. Our government needs billions of dollars to pay for all the goods and services it provides. Where do you think all that money comes from? Most of the money the government needs to keep things running comes from taxes.

Almost all working Americans pay federal income tax on the money they earn. This tax goes to the national government and pays for interstate highways, our military, and many other things. In New Mexico, there are 12 types of state taxes, including sales tax, income tax, and property tax. But even with all these taxes, the government sometimes has to borrow money to pay for all the goods and services the people need. Just like everyone else, the government has to pay interest on the money it borrows. Since the government pays back loans and interest with taxpayer money, who is actually paying the interest on money the government borrows?

Banking

You have read about paying interest, but did you know that you can also earn it? Interest can be a good thing if consumers understand how to make it work for them rather than against them. Banks pay account holders a small amount of interest on the money in savings accounts. That means the bank pays you for the privilege of holding and protecting your money. The bank also invests your money and earns interest on it.

Using Your Money

When you put money in the bank, it does not just sit there with your name on it. Like any business, banks want to earn money, so the bank uses your money to make loans. The bank charges borrowers more interest than it pays you on your savings, and the bank keeps the difference.

To understand how this works, imagine you deposit \$100 in the bank, and the bank agrees to pay you 2% interest. While your money is in the bank, the bank loans it to someone at an interest rate of 10%. When the person pays back the loan, she has to pay \$110, which is the \$100 she

borrowed plus \$10 (10% interest). But when you withdraw your savings plus interest, the bank pays you only \$102, which is the \$100 you deposited plus \$2 (2%). That means the bank earned \$8 (the difference between the \$110 the bank received from the borrower and the \$102 the bank paid you). This is one of the ways banks earn enough money to stay in business.

Saving Is Smart

Saving money is almost as important as earning it. People have always tried to prepare for the future by saving money. In the early days, people hid money in fruit jars in the kitchen, under mattresses, or in holes in the backyard. Today, banks and credit unions provide a convenient and safe place to keep savings.

Savings accounts allow us to put away funds for emergencies, special occasions, or expensive purchases. By saving money before you make a purchase, you can actually save money by avoiding interest charges later. Savings up to \$100,000 are insured by the federal government through the Federal Deposit Insurance Corporation (FDIC). That means if the bank fails, the federal government will give you back your savings.



Save or Spend

Save for larger items. Abby earns money babysitting and mowing lawns. She spends her money quickly on music, fast food, and jewelry. Abby's friend Sarah earns money at a hamburger stand. She spends half of her money and puts the other half in the bank. She is saving for a car.

Save to avoid paying interest. When Sarah first started saving at the bank, she was disappointed in the low amount of interest her money earned. Sarah's parents, however, showed her how much money she would save by not having to borrow money for a car.

Interest Earned and Paid

YOU EARN

Savings Accounts at a Bank .75% to 1%
Certificates of Deposit (CD's) at a Bank 1% to 3%

YOU PAY

Credit Cards 8% to 23%
Bank or Credit Union Auto Loans 4% to 6%

How Does It Grow?

Account starting with \$1,000 at 2.6% interest
(Multiply times 5 if you need \$5,000 in five years)

ENDING BALANCE

1 year	\$1,026.25
2 years	\$1,053.20
3 years	\$1,080.85
4 years	\$1,109.23
5 years	\$1,138.35

Debt of \$5,000 at 18% Interest

LENGTH OF LOAN	INTEREST PAID	PRINCIPAL PAID
1 year	\$845.89	\$677.75
2 years	\$713.31	\$810.33
3 years	\$554.80	\$968.84
4 years	\$365.28	\$1,158.36
5 years	\$138.66	\$1,384.72
Total paid:	\$2,617.94	\$5,000.00

Check Your Understanding

Know

1. What is trade?
2. What is the primary difference between voluntary trade and coercive trade?
3. How does the government obtain money?
4. What do most people pay for the things they buy?
5. Why is it important to save money?
6. What are three ways to spend money besides using cash?
7. List three functions of banks.

Apply

8. How are buying and selling forms of bartering and trade?
9. What are the possible outcomes of coerced trade?
10. Explain how the government raises money to pay for public goods and services.
11. Describe the importance of currency in the national economy.
12. Explain how saving for a purchase usually means you will pay less for it than someone who borrows to pay for it.
13. Compare and contrast credit cards and debit cards.
14. Explain how a bank pays interest and how a bank charges interest.

Analyze

15. Give five examples of trades you or your family make each week.
16. Identify a group from New Mexico's past that was victim to coerced exchange. Also, identify any measures taken for later repayment.
17. Imagine that all the groups to whom the U.S. government owes money called for immediate repayment of the debt. What effect would this have on the American economy?
18. Why do you think there is no one internationally accepted currency? What would be the advantages and disadvantages of having one?
19. Outline a personal spending and savings plan and decide how much money you will save each month.
20. List the advantages and disadvantages of credit cards. Is there ever a reason to use credit cards? Explain your reasoning.
21. Imagine there are no banks in the United States. How would you manage your money, and how would you make very large purchases, such as automobiles or homes?

Free Enterprise

Key Ideas

- The United States has a free enterprise market system in which supply and demand determine value and price.
- Free enterprise is not the only economic system at work in New Mexico.
- The United States' free enterprise system has a direct impact on decision making at local, state, tribal, and national levels.

Key Terms

demand
free enterprise
profit
shortage
supply
surplus



Comprehension Strategy

The Cornell Method

New Mexico and the United States, as well as most of the western world, operate within a economic system called a **free enterprise**, or capitalist, system. This type of economic system allows people to own property and operate businesses with very little government control. Unlike other economic systems in the world, the U.S. government does not own all the property or tell people how to earn a living. In a free enterprise system, people interested in starting a business have the right to answer the four questions of economics for themselves. These four questions are as follows:

- What goods should be produced or services provided?
- How will goods be produced and services provided?
- How much should be produced or offered?
- Who will buy the product or service?



A bike shop owner takes an order over the phone. How does he benefit from free enterprise?

Goods and Services

Our free enterprise system is based on producing, selling, and buying goods and services. Everyone needs basic things to survive—food, clothing, and shelter. Other things—such as books, computers, certain brands of clothes, your favorite foods, sports equipment, MP3 players, musical instruments, and automobiles—are probably also important to your lifestyle. All these items are goods. Many goods, such as computer software and jewelry, are manufactured. Others, such as hay, chilies, and pecans, are grown and harvested.

You also need services from other people. Nurses and doctors help people who are sick or injured. Teachers educate students, pilots fly people from one place to another, plumbers install water pipes, and scientists develop medicines. People pay other people for these services and more.

Supply and Demand

One of the most important parts of selling goods and services is supply and demand. Business owners determine

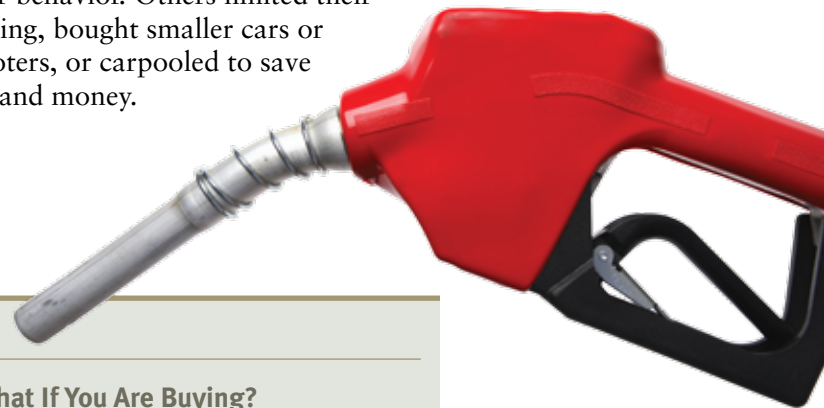
how much to produce and what price to charge based on supply and demand.

Supply refers to the amount of goods and services that businesses produce.

Demand has to do with the willingness and ability of consumers to buy the available goods and services.

If the supply of a good or service is greater than the demand, we say there is a **surplus**. On the other hand, when there is great demand for a good or service, but a small supply, there is a **shortage**. Generally, the higher the demand for a good or service, the higher the price. Conversely, the lower the demand, the lower the price.

To illustrate this idea, consider what happened in the summer of 2008. There was a high demand for gasoline but a low supply available. As a result, the price of gasoline reached almost \$4 a gallon. People had to make choices. Those who could afford it paid the higher gas prices and did not change their behavior. Others limited their driving, bought smaller cars or scooters, or carpooled to save gas and money.



Buying and Selling

What If You Are Selling?

How do companies decide how much of a product to make? The amount of goods they plan to make and sell depends on many factors. The main ones are as follows:

- The cost of resources used to produce the goods
- Technology (New technologies lower the cost of producing existing products.)
- The number of other suppliers (competition)
- The selling price and the expected future price (Will people wait until the price goes down or buy now before the price goes up?)

What If You Are Buying?

The goods or services consumers plan to buy depends on many factors. The main ones are as follows:

- The price of the goods
- The prices of related goods (Is there a similar good that is less expensive?)
- Income (Can people afford it now, or later?)
- Population (How many people want the same thing?)
- Preferences (Will people prefer a product over another product?)
- Expected future prices



Market Value

Have you ever heard the expression “market value”? Market value relates to the value placed on something by the people who are interested in buying it. That value is expressed in price.

For example, imagine your favorite food is a chocolate shake. In areas where chocolate shakes are widely available, most restaurants charge about a dollar for a shake. However, consider the value of a chocolate shake in an area where only one restaurant makes them. That restaurant may charge \$3 or \$4. You would probably be willing to pay the extra money for the shake that was nearby than drive a long way to buy one for less. The shakes may be exactly the same, but their value is different because the market is different. The price, or market value, of identical items varies as the market varies and buyers in the market value them differently.

Is the Best Price Always the Best Value?

New Mexicans, like most people, work hard to earn money to take care of their families. Because people work so hard, they try to always get the best value for their money. Often, the best value is the cheapest price. But that is not always the case.

To understand how this could be, imagine you buy a pack of Sweetsie gum that contains 15 pieces of gum and costs \$1. You chose Sweetsie instead of Minty gum because Minty gum has only 10 pieces for \$1. Now imagine you begin chewing a piece of Sweetsie gum and the flavor is gone in about 10 minutes. Minty gum’s flavor lasts for hours! You find yourself taking another piece of Sweetsie gum out of your new pack much more often than you did when you chewed Minty gum. By the end of the day, the Sweetsie gum is gone. A pack of Minty gum usually lasted at least a week. Now you have to go buy another pack of gum. So, even though the new gum has more pieces for the same price, which type of gum is the best value?



Economic Decision Making

In our free enterprise economy, we have to make economic decisions about the goods and services we purchase because money is a limited resource. Money is not the only limited resource, however. Economic decision makers study many limited resources and determine how best to use them to meet the needs and wants of society. That is where choice comes in.

A Balancing Act

Each time you make a decision to buy something, you have to think about the best way to spend your money. Consider this: You have \$25. You need a new notebook, a ruler, and a pocket dictionary. At the same time, you have been looking forward to going to a concert with friends. Your \$25 will not buy both your school supplies and the concert ticket, so you have to make a choice. If you choose to buy the school supplies, you may miss out on a fun time with your friends. But if you choose to buy the concert ticket, you may do poorly on an assignment at school. You will have to balance your needs with your wants so that you can use your limited resources (\$25) in the best possible way.

Family members, businesses, and the government are faced with similar decisions every day. No one is quite sure what the future will bring, so it is sometimes hard to make the best decision. All anyone can do is gather as much information as possible and make the best decision he or she can.

Decisions at Many Levels

In a free enterprise system, economic decisions are made at many levels—from an individual to a nation

What Do You Think?

If you were faced with the decision described in “A Balancing Act,” what would you do? Why?



Our tax dollars help to pay for road construction and repair, public education, and other public goods. This colorful overpass is known as the Big-I where I-25 and I-40 intersect near the center of Albuquerque.

or even the entire world. Generally speaking, the decisions made at higher levels have further-reaching effects than the decisions made by individuals.

At the national level, very large decisions are made to best meet the needs of all the citizens of the United States. For example, the need for our national military must compete with our need for better health care. The need for private property ownership must compete with public land ownership.

On the state level, our elected leaders in Santa Fe have to decide how to spend our state tax dollars. They must listen to various points of view and then decide how much money goes to public education and how much goes to new highways. They also have to decide how much to tax New Mexicans and what goods and services should be taxed. As they are thinking about those taxes, they have to consider the economy. If citizens are paying higher taxes, they have less money to spend on goods and services that strengthen the economy.

Economic decisions also have to be made at tribal and local levels. One of the most pressing problems facing New Mexico's Indian populations is poor health care. The Navajo, Apache, and other tribes could direct all their money to improving the quality, availability,

and affordability of health care, but then other things would suffer. Tribal economic decision makers must also consider education, environmental protection, and much more.

In your own city or town, local government officials have to make decisions about how to spend money. Do they add more police officers in crime-ridden areas or build another fire station? Can they afford to place a traffic light at the busy intersection? How much money should they give to the people who will lose part of their yard when the road is widened? Considering the best ways to spend every dollar is a difficult and time-consuming process.

Profit and Loss

Businesses at every level—from local to international—try to make a profit. A **profit** is the amount of money left after expenses are paid. Expenses include paying workers, suppliers, rent, insurance, taxes, and other things. If a business does not have money left after expenses, it has a loss. Companies cannot continue to lose money for long, or they will go out of business. Therefore, business owners must make economic decisions about how much to pay their workers, how much to charge for their goods and services, and how quickly to build their businesses.

Tribal Economies

Consider New Mexico's many Indian tribes. As the national and state economies strengthen, so do the economies of the Indians living here. As you have already learned, New Mexico's reservations function something like independent states. They have their own governments, their own businesses, and they own economies. Although illegal in the rest of the state,

casinos have become a major business on many reservations. The state of New Mexico supports gaming on the reservations and assists the tribes in making the casinos successful.

Both the federal and state governments also manage dozens of programs that support not only the state's Indian populations but also the collective economies of those groups. For example, the U.S. government offers more than 100 different grants to Indian students. These grants allow students to gain more education, get better jobs, earn more money, and thereby strengthen the tribe's economy.

On the state level, the governor's office announced in April of 2010 its intention to simplify funding for tribal projects, increase tribal access to loan funds to develop communities, establish a permanent committee to advise the governor on developing tribal economies, and much more. The economies of the nation, state, and tribes rise and fall together, so each has a vested interest in helping the others succeed.

Governor Richardson meets with several tribal leaders after signing the State Tribal Collaboration Act.



Free Enterprise v. Acequias

In the free enterprise system of our state and nation, business owners hope to make profits and build their companies. Typically, people participating in the same kinds of businesses do not help one another. Instead, they become very competitive. Business owners recognize there are limits to the number of goods they can produce, so they want to produce and sell as much as they can. Business owners do not want competitors to produce more goods than they can because competitors can then take away business.

There is one system in our state, however, in which people in competing businesses have worked cooperatively for hundreds of years. As you have learned, the acequias system is a network of thousands of ditches and canals that carry life-giving water to the arid fields and valleys of our state. Even though farmers, ranchers, and landowners depend on the waterways to sustain their competing businesses, these groups work together to manage the system. Each water rights user-owner sends one or more workers to the annual spring cleaning. For generations, water rights users, officers, and commissioners have met to decide how the water on the common stream will be divided.

Linking the Past to the Present

Today, meetings about the acequias sometimes become very heated. Water rights user-owners have changing needs and may fight for access to more water than they have had in the past. No matter how hotly debated the issues at the meetings however, officers will eventually reach a compromise. Cooperation has been the tradition for hundreds of years.

Check Your Understanding

Know

1. What is a free enterprise system of economics?
2. What is one system in New Mexico where competing businesses work together?
3. Which level of government makes the furthest-reaching economic decisions?
4. Is the lowest price for a good or service always the best value?
5. Define market value.
6. Name one way the state of New Mexico supports tribal economies.

Apply

7. Explain how supply and demand affects prices in a free enterprise system.
8. Compare and contrast the acequias system to free enterprise in New Mexico.
9. Explain the “balancing act” of economic decision making at local, state, tribal, and national levels.
10. Summarize why price and value sometimes differ.
11. Describe how the demand for a product affects its market value and thus its price.
12. Describe the economic relationships between the state of New Mexico, New Mexico Indian tribes, and the United States.

Analyze

13. If you were a producer of a good that was in high demand, what would be the advantage of limiting your supply? Discuss how you could use the laws of supply and demand to earn a higher profit.
14. Research acequias systems in New Mexico. Have water rights owners always cooperated with one another? What issues cause tension in cooperative economic systems?
15. Study one economic decision made during the last session of the New Mexico state legislature. Do you think the legislature made the right decision? Explain your reasoning.
16. When you make purchasing decisions, how do you ensure you get the best value for your money?
17. Describe a situation in which you or your family paid more for a product that you believe it was worth due to its market value. How can you protect yourself from paying inflated prices in the future?
18. Explore New Mexico’s casinos’ effect on supply and demand in our state and identify the reasons the state and national government support gaming here.

Working in New Mexico

Key Ideas

- When people specialize in only certain skills, they become dependent on others.
- The federal government is the largest employer in the state.
- The New Mexican economy is both specialized and diversified in mining, farming, ranching, manufacturing, tourism, and the high-tech industry.
- New Mexico can only grow so much because of a limited supply of water.

Key Terms

aquifer
interdependence
non-renewable
renewable
specialization
sustainability
urbanization

From north to south and east to west, in small towns and larger cities, New Mexicans are working. Teenage workers may have part-time jobs in the summer. College students juggle work for pay with the hard job of getting an education. Adults work in many kinds of jobs that require different levels of education and skill. People work to earn money to take care of themselves and their families. They work to feel satisfied when they complete a job and do it well. They work to contribute to their community and enrich their own lives.

Specialization and Economic Interdependence

Industry is more specialized today than it was in the past. For example, there are many different kinds of farmers. Some farmers grow hay, and others grow nuts. Still, others grow fruits, vegetables, and grains. Some farmers do not grow crops but raise dairy cattle that produce thousands of gallons of milk every day. These are examples of **specialization**. When groups specialize, they develop special skills and strengths in certain areas. Then people and businesses depend on one another to provide the things they do not produce themselves.

Comprehensive Strategy

Determine the Importance



Countries and regions specialize, too. For example, coffee needs special growing conditions not found in most of the United States. Countries that have these special growing conditions, such as Colombia, specialize in growing coffee. Similarly, Florida has just the right climate for growing oranges, so much of Florida's economy depends on orange production. When a country or state specializes in a certain product, it will sell or trade its surplus at a low cost. This is because the country has become efficient at producing that good and can produce it for much less than a country that does not specialize in that good. Countries, states, or even communities that specialize become dependent on one another to provide the goods they cannot provide for themselves. This is called economic **interdependence**.

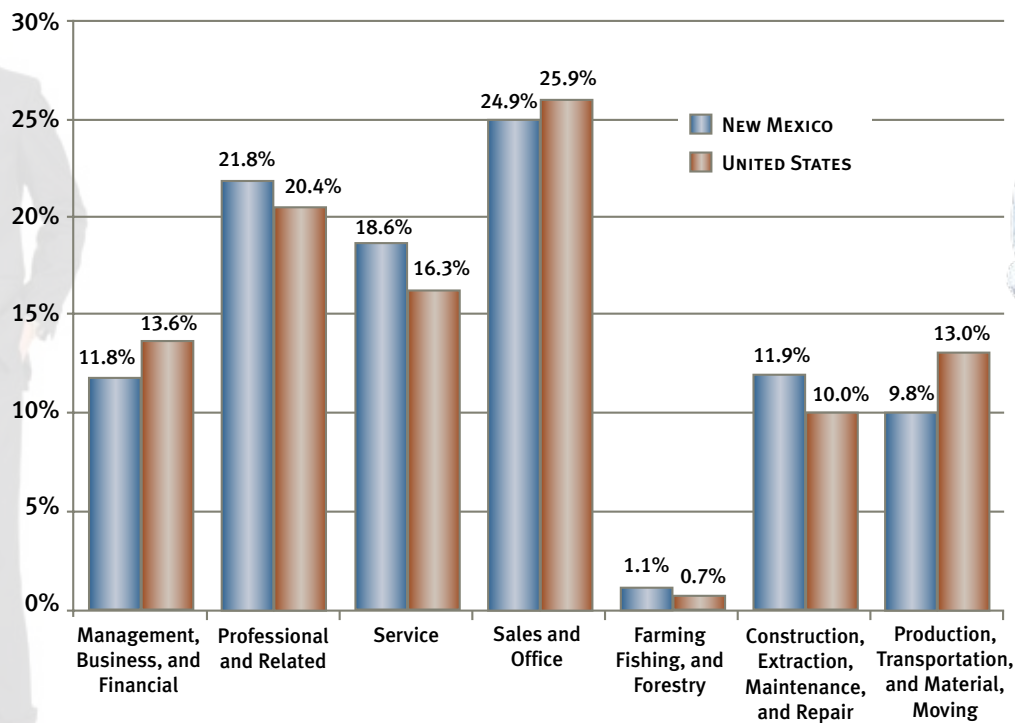
When economic interdependence works well, groups cooperate and provide for one another, and production and trade increase. New Mexicans depend on Colombia and other countries to produce most of the coffee they drink. They also depend on Florida to produce oranges and orange juice. People in Colombia and Florida depend on New Mexico to produce dairy products, cattle, and much more.

New Mexico's Specialties

New Mexico's workers have good skills, knowledge, and education. They work in many different industries that produce goods and provide services for people in our state, our nation, and even the rest of the world. New Mexico's specialties are farming, ranching, oil and gas production, manufacturing, medicine, mining, retail sales, tourism, and aerospace and defense technology.

Federal Jobs

The federal government is more important to the economy of New Mexico than it is in most states. That is because there are several large-scale national military sites located here. These sites make the federal government the largest employer in the state. Almost 12 percent of employed New Mexicans work for the federal government at Kirtland Air Force Base, Holloman Air Force Base, Cannon Air Force Base, the White Sand Missile Testing Range, Fort Bliss, Los Alamos National Laboratory, and Sandia National Laboratories. All of these facilities meet critical needs in our country and the world. They are strong and stable and will provide ever-increasing value in the years to come.



Go to the Source!



Comparing Federal and State Minimum Wage

This chart from the U.S. Department of Labor shows each state's minimum wage laws from highest to lowest. You can easily see how the minimum wages compare to the federal minimum wage of \$7.25.

Washington.....	\$8.55	Montana.....	\$7.25
Oregon.....	\$8.40	Nebraska.....	\$7.25
Connecticut.....	\$8.25	New Hampshire.....	\$7.25
Illinois.....	\$8.25	New Jersey.....	\$7.25
Washington, D.C.....	\$8.25	New York.....	\$7.25
Vermont.....	\$8.06	North Carolina.....	\$7.25
California.....	\$8.00	North Dakota.....	\$7.25
Massachusetts.....	\$7.75	Oklahoma.....	\$7.25
Alaska.....	\$7.55	Pennsylvania.....	\$7.25
Nevada.....	\$7.50	South Dakota.....	\$7.25
Maine.....	\$7.50	Texas.....	\$7.25
New Mexico.....	\$7.40	Utah.....	\$7.25
Michigan.....	\$7.40	Virginia.....	\$7.25
Rhode Island.....	\$7.30	West Virginia.....	\$7.25
Ohio.....	\$7.25	Wisconsin.....	\$7.25
Arizona.....	\$7.25	Colorado.....	\$6.25
Delaware.....	\$7.25	Arkansas.....	\$6.15
Florida.....	\$7.25	Minnesota.....	\$5.15
Hawaii.....	\$7.25	Georgia.....	\$5.15
Idaho.....	\$7.25	Wyoming.....	\$5.15
Indiana.....	\$7.25		
Iowa.....	\$7.25		
Kansas.....	\$7.25		
Kentucky.....	\$7.25		
Maryland.....	\$7.25		
Missouri.....	\$7.25		

Source: U.S. Department of Labor, January, 2010

Extend Your Learning

Research to find out how minimum wage laws are implemented in New Mexico. How do New Mexico's minimum wage laws compare to states nearby?

OBSERVE

- How many states have a minimum wage above the federal minimum wage? How many states are below?
- How many states do not have a minimum wage law?

EVALUATE

- What is the difference between the highest and lowest wage?
- What is the average minimum wage?

CONCLUDE

- Why do you think some states pay a higher minimum wage than others?
- Why do you think some states do not have a minimum wage?

Farming and Ranching

Because New Mexico has less access to water than most states, most farmland is used for grazing the cattle that provide our state's most important agricultural goods: dairy products and beef. These two products account for more than 75 percent of New Mexico's total agricultural sales. Because our nation needs food and the land in New Mexico supports these industries, they are expected to continue to flourish in the future.

The leading planted crop in the state is hay, which is used primarily to feed cattle, but it is also shipped as far away as Florida and Japan. Did you know that New Mexico is the largest producer of chilies in the United States? New Mexico chilies can be purchased fresh, frozen, canned, or dried, and the Hatch Chile Association hosts a Chili Festival every Labor Day weekend. Pecans, apples, onions, pinto beans, and blue corn are other important crops in New Mexico. New Mexico has, through irrigation and water-saving farming methods, established successful systems and processes to continue producing these products for many years.

Mining and Oil and Gas

Mining is the second-largest industry in the mineral-rich state of New Mexico. Almost 80 percent of our mining dollars come from oil and gas because our state has some of the largest stores of crude oil, dry natural gas, and natural gas liquids in the United States.

Copper is one of the most valuable metals in the world, and New Mexico is the third-largest producer of copper in the nation. Molybdenum, a metal used to strengthen other metals, is also plentiful in our state and is shipped in large quantities to China. New Mexico is the largest producer of potash in the United States. Potash is shipped all over the country and used as an excellent fertilizer.

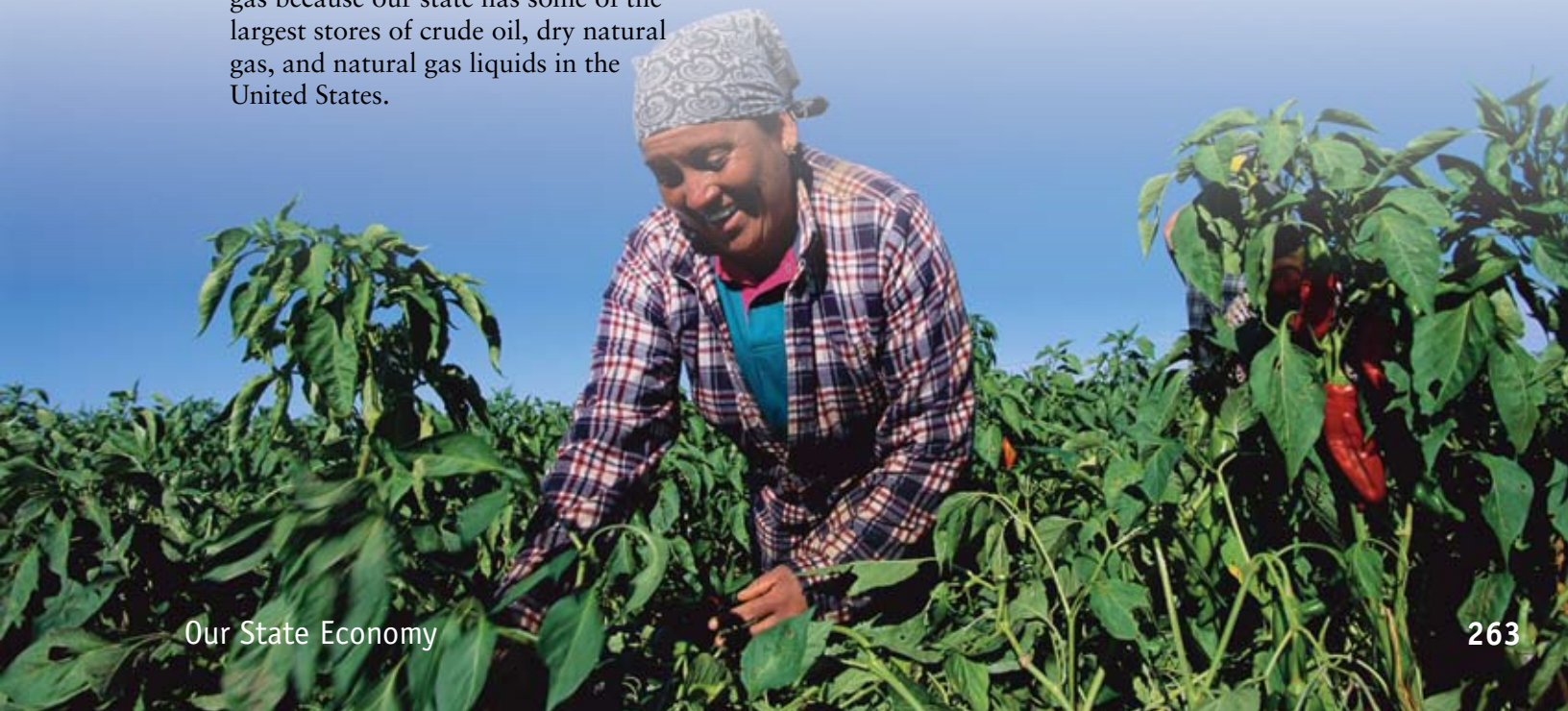
As you have already learned, our state also has some of the richest deposits of uranium found in our country. In fact, only Wyoming produces more uranium than New Mexico. Five coal mines in Northwest New Mexico produce more than 25 million pounds of coal every year!

The mined products in New Mexico are **non-renewable** resources. That means they exist in limited supply. Products such as hay and pecans are **renewable** because they are unlimited or can be easily replenished. Oil, gas, and minerals take thousands of years for the earth to produce. The world's present rate of use is far greater than the earth's ability to produce them. That means if we continue to use these resources, the time will come when they will be gone.

What Do You Think?

What do you think should be done to protect our non-renewable resources?

A farmer harvests chili peppers. Do you think peppers are renewable or non-renewable resources? Explain your reasoning.



A High-Tech Impact on the Economy



Because of today's computer technology, companies have changed the way they do business. Computers now help companies store information about their products and services. People around the world can communicate through e-mail and sell products and services on the Internet. New jobs have become available for computer engineers, systems administrators, designers, and programmers.

Online businesses have been one of the fastest-growing economic segments in New Mexico and across the nation over the last few years. Some of these new companies offer their products and services only over the Internet. This allows them to keep operating costs down because



employees can work from a small office, warehouse, or even from home. There are no showrooms or stores where people shop. Customers go online to get a description and to view their products. They can shop, place an order, and have it sent directly to their home or office, all of which costs far less than maintaining an actual store—and is much better for the environment!

Besides Internet businesses, another advantage to New Mexico's economy brought to pass by the technological age is the national laboratories. The labs have brought money and tremendous employment opportunities to the state, but there have also been some problems. Most of the best jobs in the labs were taken by well-educated scientists from



other parts of the country. Often New Mexicans had to settle for lower-paying jobs at the labs. To combat this problem, the government created programs to help New Mexicans learn the skills needed for better-paying jobs at the labs and in other industries. As technology continues to develop, there will be many more economic and employment opportunities for the citizens of New Mexico.



Manufacturing

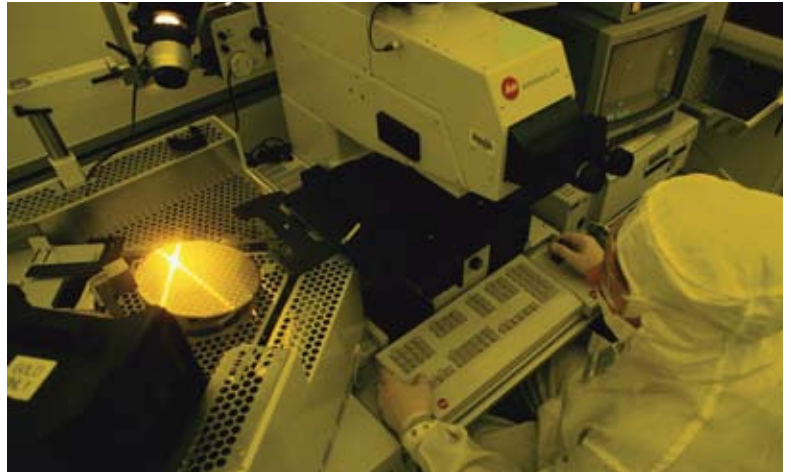
From clothing to chemicals and machinery to mattresses, manufacturing companies in New Mexico produce a wide variety of goods. Our state's leading manufacturers produce computer and electronic equipment, such as silicon computer chips, lasers, and precision machinery that support the national laboratories and other high-tech industries.

New Mexico companies use many of our agricultural products to make delicious and nutritious foods, such as wine, salsa, sauces, beef jerky, popcorn, honey, jams, jellies, candy, cookies, and lots of products made with chilies. These foods can be purchased online and in grocery stores all over the country.

Besides high-tech machinery and tasty foods, New Mexicans make cabinets, process cotton into fabric, and process the minerals that come from the mines. New Mexico companies even produce solar energy panels so not one ray of our blazing sunshine goes to waste.

Business owners who decide to establish companies in New Mexico have found a welcoming climate and a population of hard-working citizens. They have also found state and local governments that offer tax incentives and provide land and buildings to encourage business growth. With these kinds of advantages, manufacturers are sure to build more factories in New Mexico in the future. With these new businesses will come many more jobs for our skilled workforce.

A skilled technician works to create a microchip. Intel, one of the major producers of microchips in the world, is located in Rio Rancho.



These workers are part of the production line in a high-tech solar silicon factory.



A physician comforts a patient having a CAT scan (similar to an x-ray). Why might the patient be afraid?

Medicine

Consider the number of people who live here in New Mexico. Now consider how many times each person gets sick or injured and needs to see a doctor. That is a lot of doctor visits, so it takes a lot of doctors and hospitals to meet the health care needs of New Mexicans. Doctors, nurses, therapists, dieticians, technicians, orderlies, aides, and other employees at 52 hospitals and medical centers care for New Mexico's citizens. As our population grows, the need for more and better health care will also increase.

Retail

Retail sales is the business of selling goods or services from a fixed location. New Mexicans need cars, clothes, food, medications, and much more, so they purchase the goods they need from retailers. Examples of large retailers in New Mexico include Target, Walmart, and Costco, food stores such as Allsup's and Town & Country, and car dealerships such as Melloy Dodge and Garcia Honda and Subaru.

Transportation

Transportation is big business in New Mexico. You have already learned that the Santa Fe Trail was once one of the most important commercial and military routes in the nation. Today, thousands of cars, trucks, and vans travel the state's nearly 60,000 miles of highway, which includes three interstate highways. Building and maintaining these roadways costs millions of dollars and provides thousands of jobs to the people of New Mexico.

This outdoor mall is in Albuquerque. The retail shops in the mall offer numerous goods and services. How does the design of this mall attract business?





The New Mexico Rail Runner Express is part of New Mexico's state-sponsored transportation system. How did New Mexico raise money for this rail system?

The most exciting recent development in New Mexico's transportation history is the New Mexico Rail Runner Express. This commuter train began running in July of 2006 and travels from Belen to downtown Santa Fe, covering 97 miles every day. During peak seasons, the Rail Runner makes as many as eight round trips from Albuquerque to Santa Fe each day. In addition to this, there remains more than 2,000 miles of active freight and passenger railroad track in New Mexico.

The Albuquerque International Sunport is the largest commercial airport in the state and handles about 6 million passengers every year! The airport, like the rest of Albuquerque, is committed to sustainability.

Sustainability refers to activities that have little long-term impact on the environment.



TOURISM

IN NEW MEXICO

New Mexico has so many things to delight tourists that it is hard to know where to begin! From mountain ski resorts to the Cumbres & Toltec Scenic Railroad to the Gila Cliff Dwellings and Salina Pueblo Missions, our state offers sights, sounds, tastes, and activities to please visitors of every age and culture. The wonders of our “Land of Enchantment” are no secret because thousands of travelers bring billions of dollars into our state every year.



Chaco Canyon



Ghost Ranch



Bradbury Science Museum

FOR THE HISTORIAN

Many people like to visit historic sites and learn when they travel. New Mexico has dozens of historic locations where people can learn all about our diverse history and culture. There are also historical museums featuring Billy the Kid, the Rough Riders, Kit Carson, Los Alamos, the Palace of the Governors (the oldest government building in the United States), Silver City, and even Smokey Bear. For those interested in archaeology, there are the Aztec Ruins and Bandelier National Monuments.

FOR THE SCIENTIST

For the student of science, there is the Very Large Array (VLA), where scientists study deep space. Additionally, there is the Atomic Museum, the Bradbury Science Museum, the Ghost Ranch Living Museum, and Dinosaur Museum. At the New Mexico Museum of Space History, visitors can see real space rocks. If there's time, do not miss the Rattlesnake Museum, and the International UFO Museum. Tourists can also visit our four natural provinces to learn about life in the mountains, plateaus, tablelands, and plains. Anyone with an interest in geology should not miss White Sands and Carlsbad Caverns, with a cavern more than 10 football fields long and 22 stories high! For the animal lover, New Mexico is home to seven wildlife refuges and sanctuaries.

FOR THE CULTURED

A true center for the arts, New Mexico has enough galleries, studio tours, and artist studios to satisfy every artistic sensibility. There are museums of Indian Arts, Fine Arts, Folk Art, and Spanish Colonial Art. To get the true flavor of New Mexico's diverse culture, visit the Indian Pueblo

Cultural Center or attend the Fiesta de Santa Fe or shop in the Hispanic, Indian, and Spanish markets. If you are looking for something truly different, visit one of the monasteries, the Ice Caves, or feel the Taos Hum. Holiday travelers can participate in Christmas Eve walks, Easter pilgrimages, a Victorian Christmas, and even a Winterfest.

FOR THE ADVENTURER

From the deep Blue Hole to the blue skies stretching as far as the eye can see, adventure lies around every bend in New Mexico. The land offers pristine trails for biking and hiking and rugged back country for camping, hunting, rock climbing, and caving. The clear, blue waters in New Mexico's rivers and lakes invite boating, fishing, rafting, sailing, water skiing, and even scuba diving. When you are ready to come out of the water, head to Deming and catch more water fun at the annual duck races. Finally, our state's wide, beckoning skies offer plenty of room for birding, flying, hang gliding, parasailing, skydiving, and ballooning. Each October, Albuquerque hosts the largest hot-air balloon festival in the world!

FOR THE INDULGENT

To indulge means to let go or to give in to a desire. Many people like to indulge when they travel. They eat rich foods, stay up late at night, sleep late in the morning, or lay for hours by the pool. New Mexico provides many opportunities for travelers to relax and indulge—from spas, hot springs, and resorts to the finest hotels, spacious adobe casitas, and cozy historic inns.



Gathering of Nations Annual Powwow



Tent Rock National Monument



International Hot-Air Balloon Fiesta

What Do You Think?

Why do you think New Mexico is called the Land of Enchantment?



This dam was built in San Acacia on the Rio Grande. Dams help to control floods, irrigate farmland, create hydroelectricity, and provide recreational areas. How do dams change the landscape?

Limited Growth Opportunities

While New Mexico seems to have something for everyone, the reality is that there is less water in our state than in any other. That creates several problems, not the least of which is how to support the growing water needs of an increasing population. Water is available in underground **aquifers** (deep, water-filled caverns), but it is a limited resource, and it must be carefully managed.

Though we have technology to study black holes in deep space, New Mexicans still have to rely on traditional forms of irrigation, such

as acequia systems, to meet our water needs. For this reason, some New Mexicans are concerned that we should slow **urbanization** (the growth of cities) and population growth rather than promote it.

What Do You Think?

There is a great debate in our state between those who want more people to settle here, thus growing the economy, and those who fear there is simply too little water to support more people. What do you think should be done about the water needs in New Mexico? Where do you stand on this debate?

Check Your Understanding

Know

1. List New Mexico's economic specialties.
2. List two ways technology has a positive effect on the economy of New Mexico.
3. Define specialization and interdependence.
4. What is New Mexico's minimum wage?
5. What is the main factor limiting urban growth in New Mexico?
6. What is the largest employer in the state of New Mexico?
7. Where is the largest hot-air balloon festival in the world held every year?

Apply

8. Discuss why it is important for New Mexicans to produce a variety of sustainable goods and services rather than only non-renewable resources such as oil, gas, and coal.
9. Predict how the increasing availability of high-tech jobs will affect education in New Mexico.
10. Discuss how specialization and interdependence allow our modern global economy to succeed.
11. Plot the minimum wages shown on page 262 on a map of the United States. What patterns do you observe?
12. Summarize current methods for meeting the need for water in New Mexico.
13. Compare New Mexico's commerce with Florida's commerce.
14. Classify the various customs, traditions, and celebrations in New Mexico and explain how each appeals to a different group of people.

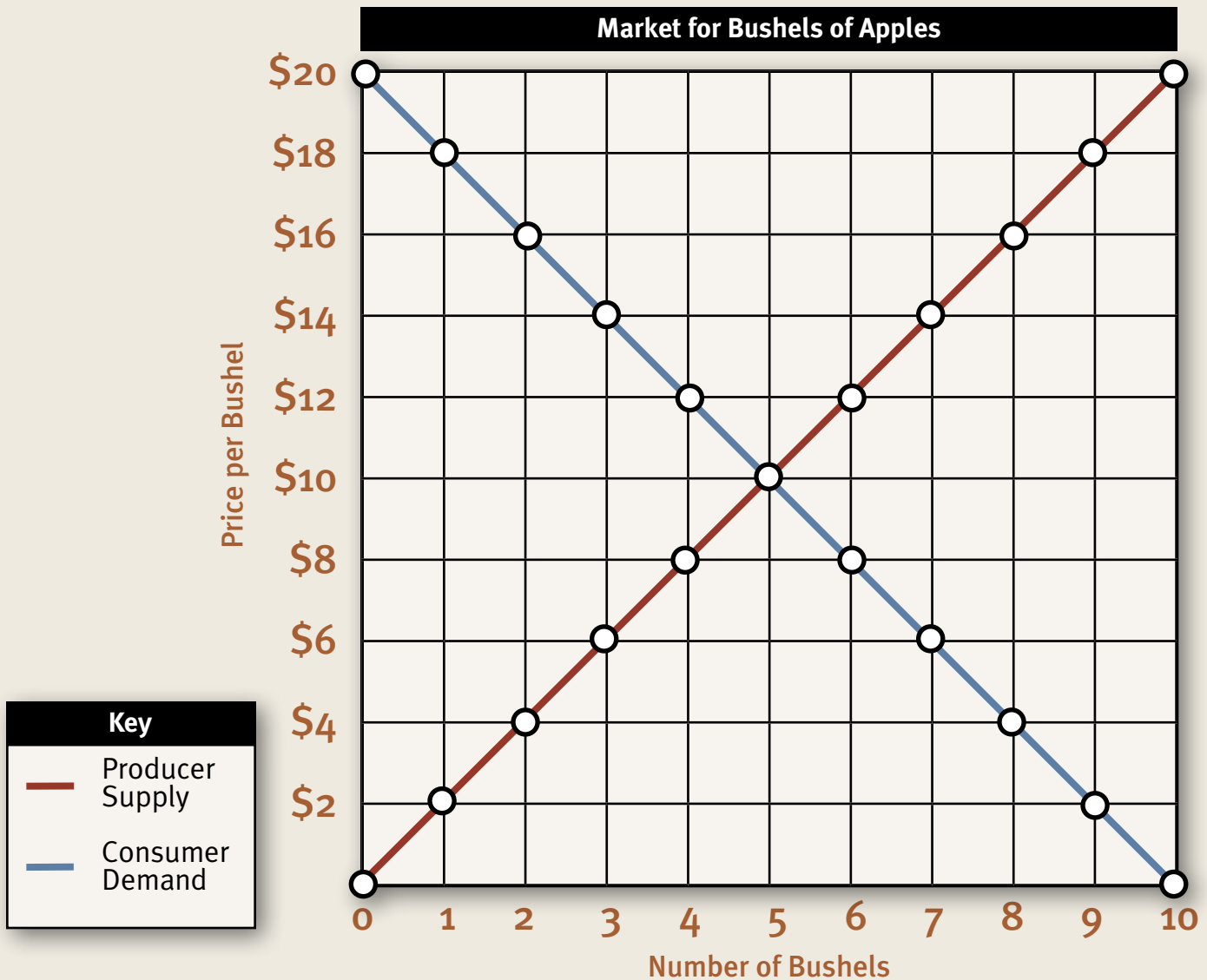
Analyze

15. Explain how patterns of work and economic activity in New Mexico support the U.S. economy and vice versa.
16. Consider how technology will evolve in the next ten years. What effect do you predict this will have on the people and economy of New Mexico?
17. Explain how New Mexico, the United States, and other parts of the world are economically interdependent and how consumers today are dependent on local, national, and global goods and services.
18. How can you explain the economic patterns you observed in question 11 above?
19. Imagine the federal government built huge pipelines that brought billions of gallons of water to New Mexico. How would this affect the state, your community, and your personal life?
20. Compare the commerce of three other states to New Mexico's commerce.
21. Describe how the many festivals and celebrations in New Mexico contribute to our local, state, tribal, and national identities.

NEW MEXICO Social Studies Skills

Understand Supply and Demand

This graph shows the supply and demand for apples grown locally by An Apple a Day. The red line shows the number of apples growers are willing to produce at different prices. The blue line shows how much consumers are willing and able to buy at different prices.



1. How many bushels are consumers willing to buy when the price is \$2? When it is \$4?
2. How many apples are producers (sellers) willing to supply when the price is \$2? \$14?
3. At what price are producers willing to sell the exact amount that consumers are demanding?
4. What relationship do you see between price and consumer demand?
5. What relationship do you see between price and producer supply?

Chapter 8 Review

Key Idea Review

Lesson 1

1. What is trade and why is it important?
2. What is the most widely accepted means of exchange in most countries? In what different ways can people use this means of exchange?
3. How do banks help us manage our money?

Lesson 2

4. How does a free enterprise system function?
5. What role does supply and demand play in determining value and price?
6. What other economic systems are at work in New Mexico?
7. How does free enterprise affect decision making at local, state, tribal, and national levels?

Lesson 3

8. How does specialization affect how people and businesses depend on one another?
9. Why do you think the federal government is the largest employer in the state?
10. What are some of the major industries in New Mexico?
11. Why is growth in New Mexico limited?

Comprehension Strategy

Take Notes

We can use different ways to take notes as we read new information. Sometimes we even use our notes before, during, and after reading. Note taking helps us gather and organize our thoughts.

Think of another subject in school in which you use a textbook. Choose a note-taking method to use next time you study that subject. Consider how taking notes helped you understand what you read. Would you use the same kind of note taking next time?