Boom and Boundaries

Trace the forces behind 1990s economic growth.

9-12.US2.41 "Analyze the effects of globalization, free trade agreements, financial market deregulation, and the computer revolution on the economic boom of the 1990s."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Underline four ways the economy grew, and number the forces that helped cause each one. Circle one cost or risk linked to each force you find.

What Powered the 1990s Boom?

1. In 1996, a U.S. computer maker could design a machine in California, buy parts from factories overseas, and sell the finished product across borders. This pattern was part of globalization, the growing connection of national economies through trade, investment, and production. Lower-cost parts could reduce prices and increase sales, while foreign competitors pushed American firms to improve products. The North American Free Trade Agreement, or NAFTA, took effect in 1994 and reduced many trade barriers among the United States, Canada, and Mexico. It opened some export opportunities, but increased competition hurt some U.S. workers and factories.

2. Behind those purchases stood banks and investors. During the 1990s, financial firms gained greater freedom to expand some activities, and a 1999 law removed long-standing limits on combining commercial banking, investment banking, and insurance. Access to investment helped businesses raise money for expansion, including new technology projects. Yet the 1999 change came near the decade's end, so it cannot explain the entire boom. More freedom also carried risks: investors sometimes paid high prices for young internet companies with little profit. Rising stock prices could support spending and investment, but they did not guarantee lasting gains.

3. Computers and the internet changed the work itself. Businesses used software to track inventory, share orders quickly, and coordinate suppliers in different countries. By the late 1990s, faster information processing helped raise productivity, the amount workers produced per hour. Firms could fill orders faster and sometimes lower costs, while new online companies attracted investors. These forces reinforced one another: global supply networks created demand for digital coordination, and investment financed more computer systems. The U.S. economy grew strongly during much of the decade, but gains were uneven. Some workers faced job losses or pressure on wages, and many internet stocks later plunged.

2 ANSWER WITH EVIDENCE

Use the passage

1. How could globalization and NAFTA each help a U.S. business increase sales? Explain the different role of each.

2. Explain how computer technology and global supply networks reinforced each other.

3. Why would it be misleading to credit the 1999 banking law with the entire 1990s boom?

4. How could investment in internet companies support growth and also put investors at risk?

3 YOUR TURN

Your own words

Imagine you advise a U.S. bicycle company in 1998 that wants to expand into Canada and Mexico. In four or five sentences, explain how two forces from the passage could work together to help it grow, then identify one possible downside for workers or investors.

ANSWER KEY

Boom and Boundaries

HIGH SCHOOL · 9-12.US2.41

PART 1 · READ AND MARK

Underline four ways the economy grew, and number the forces that helped cause each one. Circle one cost or risk linked to each force you find. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	How could globalization and NAFTA each help a U.S. business increase sales? Explain the different role of each.	**Globalization let firms buy lower-cost parts and sell across borders, which could lower prices and increase sales. NAFTA reduced trade barriers with Canada and Mexico, opening export opportunities.**
2	Explain how computer technology and global supply networks reinforced each other.	**Global supply networks created a need to coordinate distant suppliers. Computers helped firms share orders and track inventory quickly across those networks.**
3	Why would it be misleading to credit the 1999 banking law with the entire 1990s boom?	**The law passed near the decade's end, after much of the boom had already occurred.**
4	How could investment in internet companies support growth and also put investors at risk?	**Investment could fund new companies and technology projects. Investors risked losses when they paid high prices for companies with little profit, since stock prices might not last.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

In 1998, the bicycle company could use NAFTA's reduced trade barriers to reach more buyers in Canada and Mexico. Inventory software could help it track orders and coordinate parts deliveries across borders. Together, wider markets and quicker planning could increase sales while limiting delays. Yet some U.S. assembly workers might face competition if the company bought less expensive bicycles or parts from other factories.

Accept other supported causal links between two forces and a plausible downside. For question 3, students should distinguish the late 1999 law from financial changes occurring earlier in the decade.