

CHAPTER 4

The 21st-Century Global Economy

CHAPTER PREVIEW

TERMS

global marketplace, trade, colony, commerce, mercantilism, tariff, mass production, free trade, NAFTA, demographics, extractive industries, credit, interest, budget, income, expenses, checking account, savings account, certificate of deposit, money market account, invest

PEOPLE

Marco Polo, Ronald Reagan, Bill Clinton, George W. Bush

PLACES

Silk Road, Canada, Mexico, High Tech Corridor

Trade has evolved from a primitive barter system to a complex global network of nations on every continent. One of the earliest examples of international trade took place along the Silk Road from Asia to the Mediterranean region. International trade between Europe and Asia became global trade in the sixteenth century when the voyages of Christopher Columbus and Vasco da Gama brought trade opportunities to North America, South America, and Africa.

The United States did not actually assume a leading role in global trade until after World War I, more than one hundred years after it won its independence. The first indication of West Virginia's interest in global trade came in 1986, when the state explored setting up an overseas office to attract foreign investors.

When we think of global trade, we usually think of nations and states. But individuals also play a critical role in determining the success of the global economy. Individuals must know how the economy works. They must also learn to make good economic decisions, including managing their own money. Individuals who manage their finances well become productive consumers, who affect the well-being of the state and the national economy.



Background: The global market allows goods and services to be traded and exchanged around the world.



SIGNS of the TIMES



VITAL STATISTICS

West Virginia's top revenue industry in 2022 was hospitals.

Between the 2010 and 2020 Censuses, West Virginia lost 59,278 residents.

In 2020, 360,784 or 20.1 percent of people in West Virginia were under age 18. That is a decrease of 6.9 percent from 2010 to 2020.

In 2020, 34,827 or 1.9 percent of people in West Virginia reported Hispanic or Latino origin. That is an increase of 56.4 percent from 2010 to 2020.

The seasonally adjusted unemployment rate in West Virginia in mid-2024 was 4.2 percent.

West Virginia is within a day's drive of one-half of the U.S. population and one-third of the Canadian market.

West Virginia's over 111,000 small businesses represent over 98 percent of all the state's businesses and employ nearly 50 percent of all workers.

West Virginia is the second-leading hardwood state in the country. Each of the 55 counties has some segment of the wood industry as an employer.

The state ranks fifth in the nation in total energy production. It is the second-largest coal producer and the seventh-largest natural gas producer in the country. Renewable energy (hydroelectric power and wind energy) account for 4.6 percent of the state's net electricity generation.

SECTION 1



RGH
Raleigh General Hospital
We Touch Lives

Background: Hospitals are a vital part of West Virginia's economy.

Reading Graphs

DEFINING THE SKILL

Using graphs to obtain information may be quicker and easier than drawing conclusions or making comparisons from written text. Graphs can make learning more meaningful and actually increase comprehension. Textbooks sometimes contain a variety of graphs, including line, bar, and circle.

When you read a graph, you should notice

- the title, which tells you the subject of the graph;
- the general parts of the graph;
- any trends;
- any information that you can develop into questions or use to answer questions.

PRACTICING THE SKILL

Look at Figure 4.4 on page 158, which shows the countries to which West Virginia exports goods. Use the information to answer these questions.

1. What is the title of the graph?
2. What type of graph is it: line, bar, or circle?
3. Could the information be displayed effectively on another type of graph? If so, which type(s)?
4. To which country does West Virginia export the greatest amount of goods?
5. To which country on the graph does West Virginia export the least amount of goods?
6. What is the total amount of money West Virginia receives from its exports to these countries?



SECTION 1

A History of a Global Economy

Below: Global trade has made it possible to have goods from all over the world in almost every town in West Virginia.


As you read, look for

- examples of international trade before the Age of Exploration;
- the role of the Age of Exploration in expanding global trade;
- the importance of colonies to global trade;
- the attitude of the newly created United States toward global trade;
- the impact of the Industrial Revolution on global trade;
- the role of the United States in global trade after World War I and World War II;

- reasons for the free trade movement;
- the role of small companies in the export trade;
- the importance of foreign investment in West Virginia;
- objectives of the West Virginia Development Office;
- West Virginia's largest exports and the top foreign markets for West Virginia goods;
- terms: **global marketplace, trade, colony, commerce, mercantilism, tariff, mass production, free trade, NAFTA.**



What do you think of when you hear the term globalization? To some, it represents the coming together of all the people of the world to form a single society. To most, however, it represents the bringing together of nations throughout the world through international trade, foreign investment, migration, and technology. Global trade is a part of everyday life in the twenty-first century. You only have to look at the labels on your clothing, food, and household items to see that we are indeed a part of a **global marketplace** (an international system for the buying and selling of goods and services). Today's global trade, however, did not always exist. In fact, it has only been in the last one hundred years that the United States has played a role in global trade. To better understand how trade has affected our lives, we must examine the historical factors that have affected the development of today's global economy.



Trade (the voluntary exchange of goods and services) has existed since prehistoric cultures first bartered (traded goods and services without money) to obtain things they needed or wanted. Prehistoric people moved from place to place. As they traveled, they came into contact with people who had goods that they themselves did not have. Because they wanted some of those goods, they developed a system of trade. Prehistoric trade even existed in West Virginia. We know this because historians discovered that the Adena people left behind jewelry made from shells that were not native to the state.

For centuries, international trade existed between Asia and Europe, using such Mediterranean ports as Venice and Constantinople, as well as a land route known as the Silk Road. The Silk Road was an international trade route of more than 5,000 miles that connected China to the countries in the Mediterranean region. Travelers along the Silk Road encountered middlemen (traders who buy goods from producers and sell them to other traders and consumers at a higher price). These middlemen drove up the prices of such luxury items as dyes, silk, perfumes, drugs, gold, jewels, and spices such as pepper, cinnamon, nutmeg, and cloves.

In the thirteenth century, Marco Polo traveled with his father and uncle to China along the Silk Road. They spent the next seventeen years visiting with Chinese leader Kublai Khan. When they returned home, Marco wrote a book describing their travels and detailing the fabulous things they found in Asia. The riches of the East Indies, Polo said, were “something wonderful, whether in gold or precious stones, or in all manner of spicery.” Nearly two hundred years later, in 1477, the publication of Marco Polo’s *Travels* led many Europeans to hope that China’s fabulous riches could be reached by ship. First, however, Europeans had to find a shorter trade route to the Orient before they could make these items more available to the people.

Background: The desire for spices resulted in a global trade that continues today.



something
extra!

In the Middle Ages, spices were used not only to flavor foods but also as medicine.

Below: Along with the voyages of Christopher Columbus, the establishment of a trading route from Portugal around the Cape of Good Hope to India is credited with providing the first actual global trading opportunity. Today, the Gateway of India in Mumbai overlooks India's major ports, where it welcomes visitors from throughout the world. **Bottom:** Europeans discovered North and South America during the Age of Exploration.

The Age of Exploration and Global Trade

The search for shorter trade routes gave rise to what was called the Age of Exploration. European rulers sent explorers to search for new trade routes to the Far East. Sometimes, while searching for those trade routes, the explorers discovered new lands—more specifically, North and South America. Many of these newfound lands became colonies of the European nations whose explorers claimed them for their mother countries. (A **colony** is a geographic area politically controlled by a distant country.) The colonies, which had resources that were not found in Europe, became a source of both raw materials and markets for European industries. During this time, the voyages of Christopher Columbus from Spain to the Americas and Vasco da Gama's travels from Portugal around the Cape of Good Hope to India are credited with establishing the first actual global trading opportunities. By the end of the sixteenth century, Spain dominated trade with the Americas, while Portugal dominated trade with Africa, Asia, and Brazil. After the discovery of silver and gold in the Americas, precious metals began to be used as a medium of exchange for goods. This form of payment replaced the barter system.



Colonization and Global Trade

In the seventeenth century, Great Britain encouraged its colonies to develop an economy based on agriculture and **commerce** (the buying and selling of goods). The British government believed the colonies existed to serve the needs of the mother country. That is, the government practiced **mercantilism**. For a country to be economically successful under this trade policy, it had to export more than it imported. Great Britain required its colonies to produce raw materials and ship them to England. There, British workers used the raw materials to make finished goods, such as furniture, clothing, tools, and sugar. Those finished items were then exported and sold to other nations, strengthening the British economy.

The British government also promoted growing cotton in the American colonies in order to avoid importing cotton textiles from India. The southern colonies proved to be a good location for growing cotton. However, the production of cotton required a large number of workers. To fill the need for workers, African slaves were brought in to work in the cotton fields. This resulted in the creation of a “triangular trade route” between the North American colonies, Great Britain, and Africa. The colonies sent raw materials, such as sugar or molasses, tobacco, and cotton, to Great Britain; England sent textiles and manufactured goods to Africa; Africa sent slaves to the North American colonies.

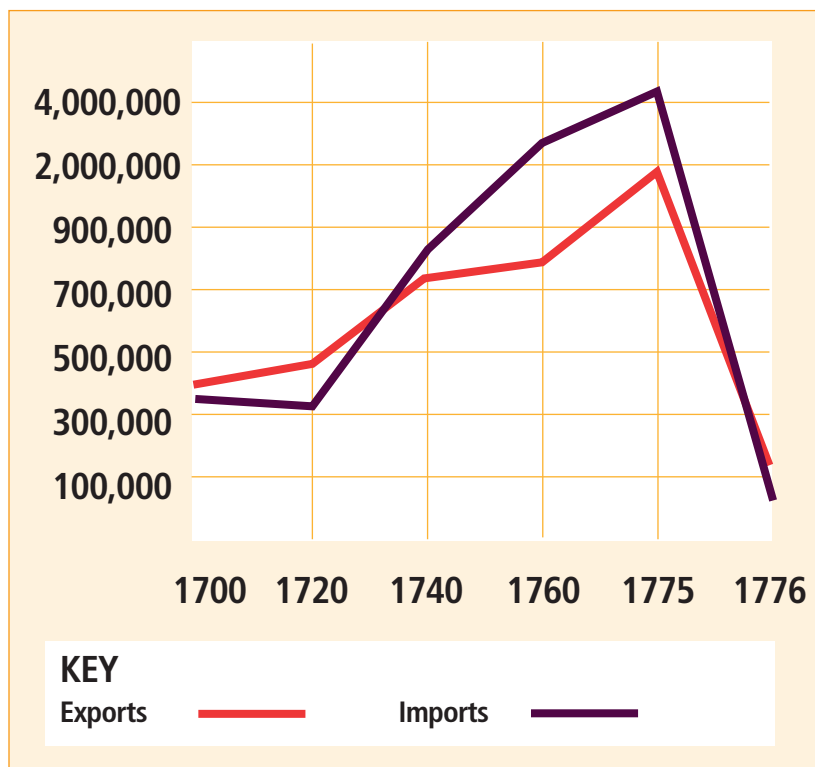


Figure 4.1

British Colonial Exports and Imports, 1700-1776 (in pounds sterling)

Top: Cotton grown in the American colonies was exported to Great Britain.

something extra!



Before the Tea Act of 1773, tea was a very popular beverage in the American colonies. When the act was passed, the colonists reacted by not drinking tea!

Below: When steamships brought goods to American ports, railroads used steam power to move the goods inland from coastal cities. Today, the Cass Scenic Railroad lets tourists experience the age of steam-powered locomotives.

As time went on, Great Britain began to place a number of restrictions on colonial trade in order to increase its profit. The American colonies resented those laws. One of the laws, the Tea Act of 1773, allowed the British East India Company to sell tea for less than colonial merchants could sell it. This law, which hurt the colonial economy, was one of the main causes of the American Revolution.

The Growth of Global Trade

After the creation of the United States, the new nation had to establish its own economic policies. Because the United States wanted to concentrate on building its own industrial base, global trade was not a priority. Alexander Hamilton, the first U.S. secretary of the treasury, proposed high **tariffs** (taxes imposed on goods that are imported into a country) to protect the growing American businesses.

In the eighteenth century, the Industrial Revolution drove global trade. Global manufacturing moved from the poorer countries to the richer European ones. New inventions, including the steam engine and the spinning jenny, boosted Great Britain's textile industry but caused a decline in the textile industry in India.



The nineteenth century brought new inventions, better roads and ports, and **mass production** (the manufacture of large quantities of similar goods). The advent of steam power revolutionized the way goods were shipped to market. Steamships and railroads made it easier to trade with foreign countries. Steamships were faster, and they could travel in any weather. Railroads made it possible to move goods from coastal towns and cities inland, opening up job and industrial opportunities in new locations.

Below: After World War II, world leaders promoted global trade as a way of reducing the chance of war.

Global Trade in the Twentieth Century

World War I devastated many European nations. As a result, the United States and Japan became the dominant countries in global trade. At the same time, the United States became more protective toward its own industries. The passage of tariffs again reduced international trade. Total world trade went down by 66 percent between 1929 and 1934.

Global trade again took center stage after World War II. World leaders looked at increasing foreign trade as a way to bring foreign nations closer and reduce the chance of war. In 1948, a trade agreement known as the General Agreement on Tariffs and Trade (GATT) was created. It was intended to prevent national trade barriers that limit **free trade** (international trade free of government intervention). Many believed that the lack of free trade was a major cause of the Great Depression and World War II.



Below: Global shipping ports provide many jobs as their workers process goods being transported around the world.



something extra!

In 2024, there were 166 members and 23 observer governments of the World Trade Organization.

Global Trade since 1980

Since 1980, U.S. presidents have promoted the concept of free trade. When Ronald Reagan became president, the United States-Canada Free Trade Agreement was passed. Reagan promoted free trade as a means of achieving progress and peace.

President George H. W. Bush led negotiations to establish **NAFTA** (North American Free Trade Agreement). This treaty eliminated tariffs on products traded among the United States, Canada, and Mexico. Although Bush originated the bill to establish NAFTA, it did not become law during his presidency.

NAFTA was signed into law by President Bill Clinton, who continued the United States' support of free trade. He believed a global economy gave people a chance to live and work with dignity. While he was president, the World Trade Organization (WTO) replaced GATT. The WTO, which has its headquarters in Geneva, Switzerland, establishes the rules of trade between nations, polices members, and negotiates new trade agreements.

President George W. Bush continued U.S. support of free trade. However, he did impose high tariffs on imported foreign steel in 2002 as a way to protect the American steel industry. Twenty months later, in order to avoid a trade war, he repealed the tariffs, with disastrous consequences for the steel industry in the United States.

Trade Policies of Presidents Trump and Biden

President Donald Trump, who campaigned on making changes in trade agreements with foreign nations, made a major change when he withdrew from the TPP (Trans-Pacific Partnership) a few days after becoming president. In the spring of 2018, he made other changes when he imposed high tariffs on aluminum from Canada, the European Union, and Mexico. He also imposed high tariffs on goods coming from China. Some believed that these policies would result in a trade war. In 2021, the Biden administration rolled back the tariffs on steel and aluminum that had been imposed under President Trump. The change ended retaliatory tariffs on American goods that had been imposed by the European Union. In 2024, President Biden reinstated the tariffs to protect steel manufacturers in the United States. Without the tariffs, foreign companies could “dump” cheap steel on our country. Manufacturers that used steel would then buy the cheap steel to use in making their products. Tariffs on foreign steel would make that steel more expensive, resulting in manufacturers purchasing steel made in the United States.

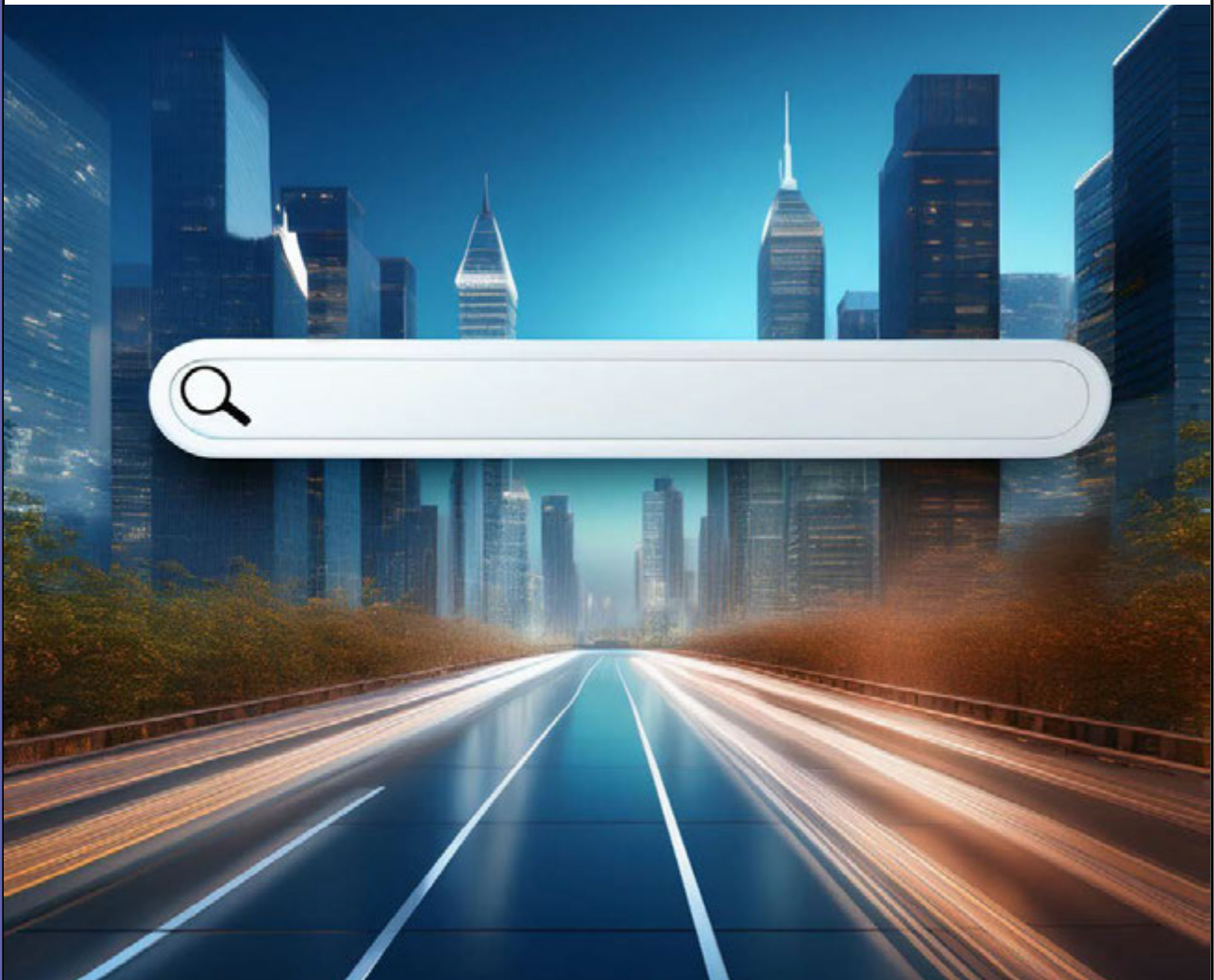
Focus on Technology

FOCUS

Use telecommunication tools (e.g., email, web pages, blogs, discussion groups, list servers) to gather information to use in a visual report using technology.

ACTIVITY

Choose one of the many foreign countries that have invested in West Virginia: Canada, France, Germany, Great Britain, Italy, Japan, or Switzerland. Use a search engine to find the names of companies located in that country that have established businesses in West Virginia and find the home page of one of the companies. Research the company and send an email to the contacts listed asking one of two questions about the company's ties to West Virginia. Finally, prepare a short written report with a minimum of four PowerPoint slides to share with the class.



West Virginia's Role in Global Trade

West Virginia does not have a long history in global trade. Perhaps pushed by increased interdependence among nations and competition in the domestic marketplace, the state began to seriously consider becoming involved in global trade in 1985 when an International Development Division of the Governor's Office of Community and Industrial Development was created. Today, the West Virginia Department of Commerce has as its objectives the promotion of West Virginia exports and the attraction of international investments. Given the fact that 95 percent of the world's consumers live outside the United States, West Virginia realized that exporting was a way to attract customers. To that end, Governor Arch Moore proposed setting up an overseas office in 1986. Although the overseas office did not materialize, the seed was planted, and West Virginia soon found itself marketing its products throughout the world. Two overseas offices, in Nagoya, Japan, and Zurich, Switzerland, supported West Virginia's export business in 2024. Improved technology has made exporting so easy that even small business owners are able to become involved.

Figure 4.2

West Virginia's Top Five Exported Products, 2023

Bituminous coal not agglomerated	\$1.3B
Engines, spark-ignition reciprocating, over 1000 cc	\$1.25B
Polyamides: nylons	\$204M
Other aircraft parts	\$163M
Primary form polyethers (excluding polyacetals)	\$139M

The Growth of West Virginia Exports

In 2023, West Virginia exported \$7.67 billion, making it the 39th-largest exporter out of the 53 exporters in the United States. Its exports of manufactured products totaled \$4.1 billion and supported an estimated 12,000 jobs. The state's largest manufacturing export category is chemicals, which accounted for \$1.5 billion of West Virginia's total goods exports in 2023. Other top manufacturing exports are transportation equipment (\$1.1 billion); machinery, except electrical (367 million); primary metal manufacturing (\$285 million); and petroleum and coal products (\$123 million).

When considering individual products, the top West Virginia exports in 2023 were bituminous coal, not agglomerated (\$1.3B); engines, spark-ignition reciprocating, over 1000 cc (\$1.25B); polyamides: nylons (\$204M); other aircraft parts (\$163M); and primary form polyethers (excluding polyacetals), with bis methyl phosphonate (\$139M).

Too often people think discussions of international trade only involve major businesses. This is not necessarily the case. In West Virginia, small businesses are encouraged to export their products no matter how small! According to the International Trade Administration, many businesses that export their products grow their sales faster, create more jobs, and offer higher wages than non-exporting businesses.

Bottom: Large oceangoing vessels transport goods from many countries to major ports throughout the world.

**something
extra!**

More than two-thirds of exporters nationally have fewer than 20 employees.

**something
extra!**

Export origin is the country where a product was manufactured, not the country from which it is being shipped. It is an important factor in determining the customs tariff treatment of a good, including the duties that will be assessed and whether the goods may be legally imported.

Figure 4.3

West Virginia's Exports, 2024

Fastest-Growing Export Destinations

Mexico	\$9.14M	52.8%
United Kingdom	\$5.97M	94%
Israel	\$5.79M	5.49%

Rapidly Declining Export Origins

China	\$-57.8M	-60.2%
Italy	\$-40.8M	-94.9%
Belgium	\$-29.3M	-71.7%



Examples of small West Virginia businesses that trade internationally include Chestnut Hill Candle Company, located in Hancock County, which exports candles to the Czech Republic and Germany; Peacock Manufacturing, located in Hardy County, which exports custom cabinets for the home to Indonesia and Singapore; and Hernshaw Farms, located in Kanawha County, which exports mushroom-growing kits to Canada.

The state's largest export market is Canada. West Virginia exported \$2.1 billion in goods to Canada in 2023, representing 38 percent of the state's total goods exports. Canada was followed by China (\$539 million), Japan (\$377 million), the Netherlands (\$291 million), and Belgium (\$285 million).

In 2021, which is the latest data available, foreign-controlled companies employed 28,400 West Virginia workers. Major sources of foreign investment in West Virginia included Japan, Canada and France. Foreign investment in West Virginia was responsible for 5.3 percent of the state's total private-industry employment in 2021.

Figure 4.4

West Virginia's Top Export Destinations, 2023

Canada	\$2.13 billion
China	\$539 million
Japan	\$377 million
Netherlands	\$291 million
Belgium	\$285 million

Above: Chestnut Hill Candle Company produces many varieties of candles and exports them to European countries.



West Virginia imported \$4.1 billion in 2023, making it the 45th-largest importer out of the 53 importers in the United States. In 2023, top imports of West Virginia were turbo-jet engines (\$546M); parts of turbo-jet or turbo-propeller engines (\$327M); parts for electric motors and generators (\$201M); commodities not specified according to kind (\$171M); and terephthalic acid, its salts (\$153M).

Foreign Investment in West Virginia

One of the largest foreign companies to invest in West Virginia was Toyota Motor Corporation. In 1996, it opened a factory in Buffalo, and Toyota Motor Manufacturing West Virginia (TMMWV) was begun. When it opened, the factory employed 300 workers to produce 300,000 engines for Corollas. In 2023, there were around 2,000 workers at the \$1.8 million facility. The plant produces 4-cylinder, turbo, and TNGA 25 engines as well as transmissions and hybrid transmissions.

Toyota has made several investments in West Virginia over the years, including these:

- 2017: A \$115.3 million expansion to begin production of hybrid transaxles.
- 2021: A \$210 million investment to upgrade the six-cylinder engine production line and add 100 new jobs.
- 2022: A \$73 million investment to expand transaxle production and assemble electric motor components.

In July 2024, Toyota West Virginia celebrated the start of production for the fifth-generation hybrid transaxle, a core part of Toyota's multi-pathway approach to electrification. Assembly of the new transaxles is a result of more than \$300 million in investments at the plant announced in 2021 and 2022.

Above: The assembly line makes work, like producing turbo-jet engines, more efficient.

Below: The entrance to the Toyota Motor Manufacturing West Virginia plant in Buffalo (Putnam County).





Toyota is one example of foreign-owned companies investing in West Virginia. Approximately 30 foreign countries have established 136 businesses in West Virginia. Japan, Canada, and France have the largest number of businesses, while Japan, the United Kingdom, Canada, Germany, and France employ the most workers. All of these companies have combined to create nearly 30,000 insourced jobs (jobs created by foreign-owned companies) and have made personal and economic contributions to the communities where they are located.

Reviewing the Section

Reviewing the Content

1. What is trade?
2. What was the primary reason for the Age of Exploration?
3. What is the purpose of the West Virginia Development Office?

Using the Content

1. Write a letter to the president of the United States stating your opinion of global trade.
2. Design a poster to attract foreign investment in West Virginia.

Extending the Literacy Skill

Look at Figure 4.1 on page 151. Use the data on the graph to answer the following questions.

1. What is the subject of the graph?
2. In what years did exports total more than imports?
3. In what year were colonial imports the highest?

Above: Manufacturing engines and other parts for automobiles is big business in West Virginia.

SECTION 2

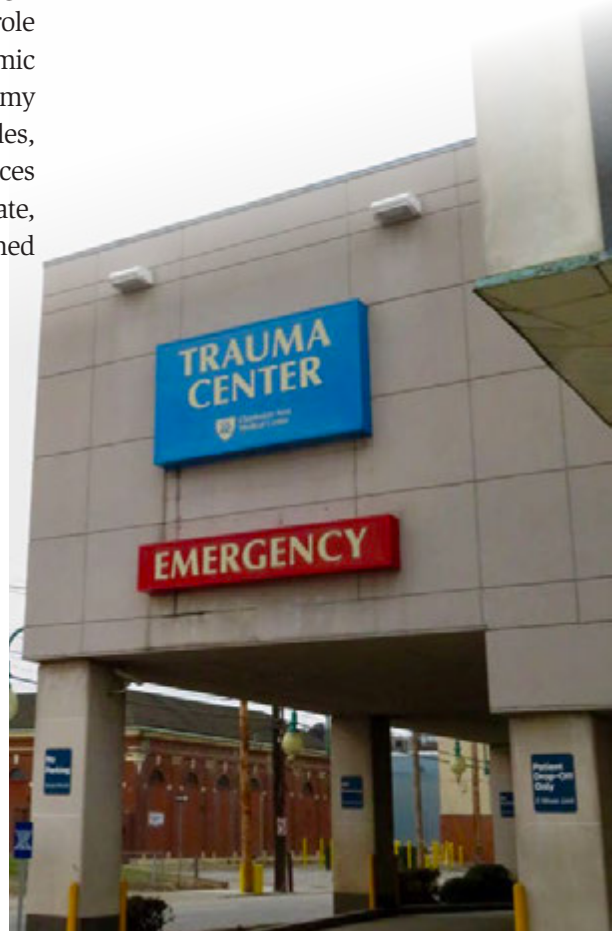
West Virginia's Demographic Profile

As you read, look for

- the role of labor demographics in West Virginia's economy;
- reasons for mixed employment performance in energy, construction, manufacturing, service industries, and government;
- the different employment opportunities in West Virginia's four geographic regions;
- how West Virginia's economy is predicted to change between 2022 and 2027;
- why technology will drive the state's economy in the future;
- terms: **demographics**, **extractive industries**.

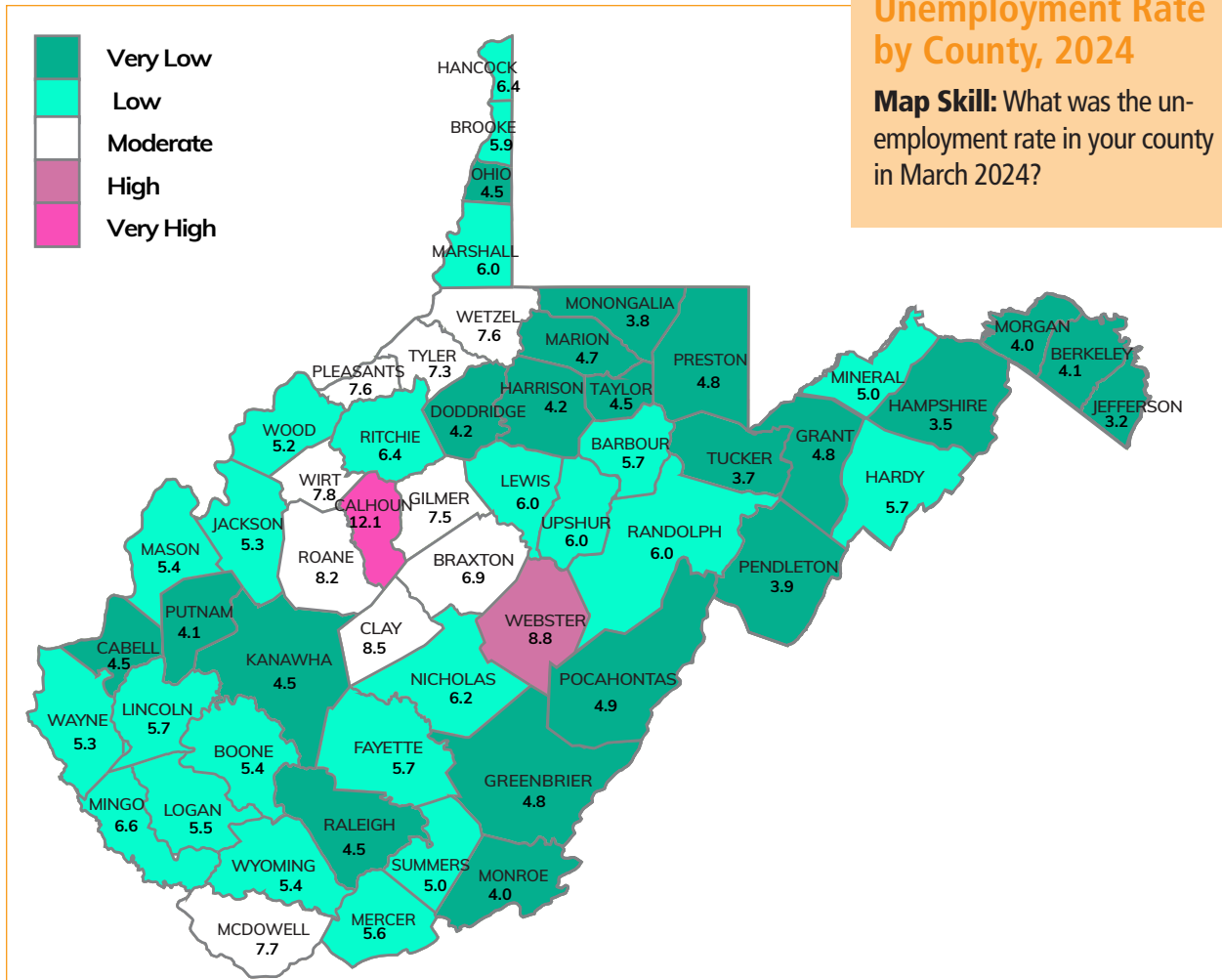
The **demographics** (a view of the population that can include age, gender, income, education, and employment) of a state play a huge role in the economic growth of an area. One factor that promotes economic growth is having an adequate workforce. The United States economy has been dominated by service industries over the last several decades, but growth in those areas has declined, primarily because of advances in technology and changing labor demographics. In the Mountain State, growth has been slow in all areas, but service industries have remained an important source of jobs.

Right: The hospital sector is now the top employer in the state.



Unemployment Rate by County, 2024

Map Skill: What was the unemployment rate in your county in March 2024?



The Workforce and Unemployment

Labor demographics are a driving force in West Virginia's economy because of an increasing number of workers reaching retirement age. Additionally, the life expectancy of those retirees continues to increase while birth rates have fallen. Labor demographics have also changed because of the decline in labor force participation (eligible workers who are working or looking for a job). The loss of population also impacts the effectiveness of an area's workforce, and West Virginia has lost 59,278 people between 2010 and 2020. In the past, population loss has been attributed to people leaving to find work in other locations. In West Virginia today, that is not the case. In recent years, the reason for the state's population loss is that more people are dying than being born. Census data between 2020 and 2023 show the state had 89,419 deaths and only 55,715 births.

West Virginia's population data can be a little ambiguous due to the state's having a positive net migration (more people moving into the state than leaving). The state had a population gain of 9,730 to this: from 2020 to 2023. Several reasons have been given for the migration of people to West Virginia. Included are the state's outstanding outdoor adventures and increased new economic opportunities. The state has also recently attracted several large-scale industries, including LG and Nucor, to locate here. Additionally, the ARCH2 (hydrogen hub) project will attract construction workers as well as permanent workers.

In March 2024, there were seven counties showing growth since the 2020 Census. Berkeley County grew by 2.37 percent, Jefferson County grew by 1.33 percent, Morgan County grew by 1.23 percent, Hampshire County grew by 0.82 percent, Monongalia County grew by 0.69 percent, Hardy County grew by 0.59 percent, and Marion County grew by 0.04 percent. Five of those counties are located in the eastern part of the state. The other two—Monongalia and Marion—are located in the north central area.

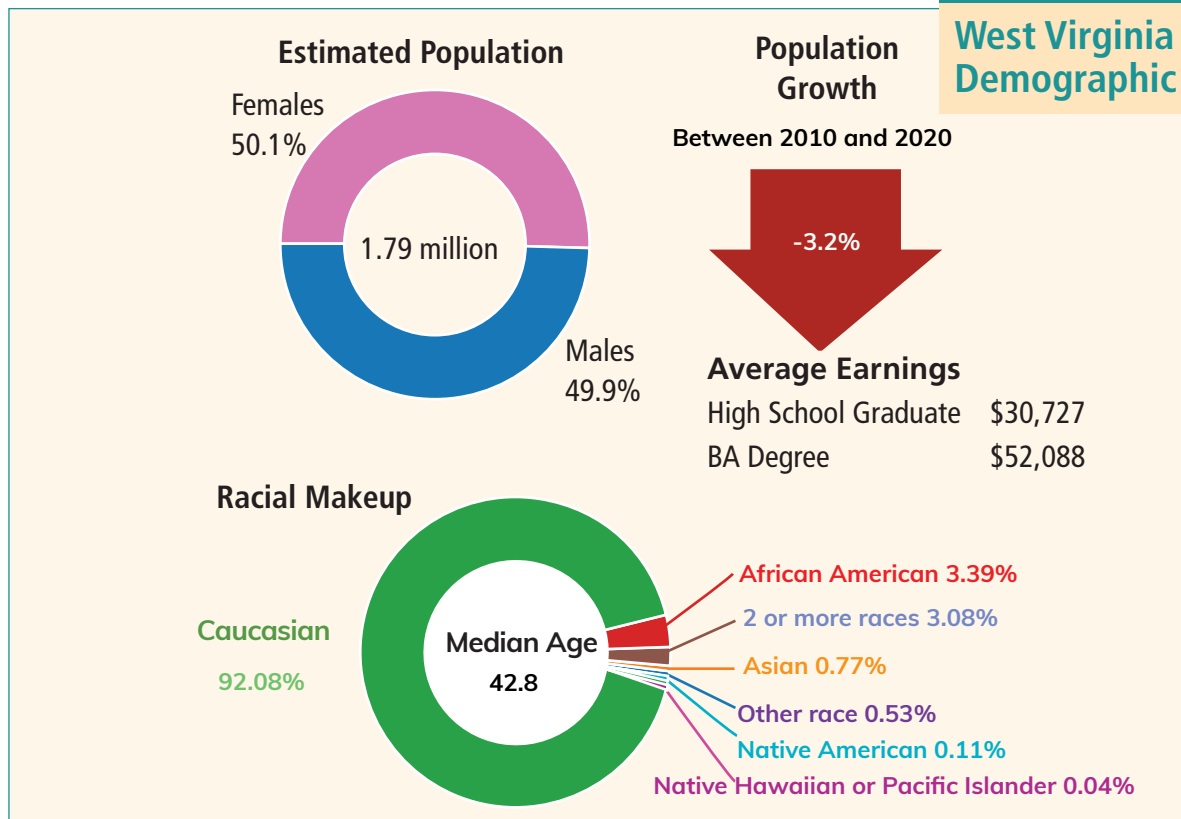
West Virginia's adjusted unemployment rate for nonseasonal workers went down one-tenth of a percentage point to 4.9 percent in March 2024. Among the state's 55 counties, 33 reported declining unemployment rates, 9 reported increasing unemployment rates, and 13 recorded no change in their unemployment rates in March. Counties with an unemployment rate below 4.0 percent included Pendleton (3.9), Monongalia (3.8), Tucker (3.7), Hampshire (3.5), and Jefferson (3.2). Counties with an unemployment rate above 8.0 percent included Roane (8.2), Clay (8.5), Webster (8.8), and Calhoun (12.1). The state's seasonally adjusted unemployment rate remained at 4.3 percent in March 2024 and declined to 4.2 percent by midyear.

Age and Health

While West Virginia is losing younger people, it continues to have a population of older, unhealthy residents, and the population keeps getting older. The number of residents 70 to 74 rose by 6,661, to 71,411. That was the most growth of any of the demographic categories. One in five West Virginians is 65 or older. The state's residents are less healthy than those in other states. West Virginia has the second-highest death rate in the country, and its residents have high rates of heart disease, cancer, and diabetes. These diseases, which may be attributed to an inactive lifestyle and unhealthy eating habits, have resulted in 36 percent of West Virginians being categorized as obese. Poor health and a high death rate may also be attributed to the fact that 60 percent of the state's people have limited access to health care because of the lack of medical facilities and/or the distance they must travel to receive treatment.

Figure 4.5

West Virginia Demographic Data, 2024



Although demographics do not determine the fate of economic growth, they are key ingredients in an economy's growth potential. Increases in productivity, for example, can lessen the impact of population losses. As the age and number of workers change, the key to success will be the kinds of jobs that are available to the workforce.

Regional Economic Opportunities

West Virginia is divided into four geographic regions—the Ohio River Valley, Allegheny Plateau, Allegheny Highlands, and Potomac Section. Although industries (like tourism and technology) and occupational clusters (like government, transportation, trade, and finance) are found in all four regions, some industries are dependent on the geographic features found there. West Virginia policymakers should ensure that any plan to promote economic development is based on each region's strengths and weaknesses.

The Ohio River provides transportation, power, and recreation for the Ohio River Valley region. The river provides a means to transport raw materials to factories as well as ship finished products to various marketplaces. Manufacturing and agriculture are important economic activities in the region. Beef and hogs, two of the state's major agricultural products, are raised here. The region is known for its production of glass. Fiesta Tableware continues to be a national name in dinnerware. Manufacturing includes chemicals, energy, steel, and textiles. New natural gas pipelines are connecting gas deposits throughout the state. The region is also one of two favored sites for the construction of gas-fueled power plants. Two of the state's four gaming establishments are in this region, in Hancock and Ohio Counties.



Above: Hogs and other livestock are among the state's agricultural products. **Bottom:** Barges on the Ohio River transport coal and other goods. **Opposite Page:** Coal (top) and shale (middle) are found in the Allegheny Highlands region.



The Allegheny Plateau is the location for many of West Virginia's minerals. These natural resources supported the creation of several **extractive industries** (industries that remove natural resources from Earth), especially coal, oil, and gas. Because the capital, Charleston, is in this region, state government is a major employer. There is a High Tech Corridor in Harrison, Marion, and Monongalia Counties. One of the state's four gaming establishments is located near Charleston.



The Allegheny Highlands includes many of the state's highest peaks and remote forested areas. Much of the region is protected by the Monongahela National Forest and the northern parts of the Washington and Jefferson National Forests. It is a region that attracts tourists who are interested in outdoor activities. It is also the location of major wood-related industries. Mining and quarries are also found here. Minerals found in this region include coal, limestone, sand, shale, and clay.

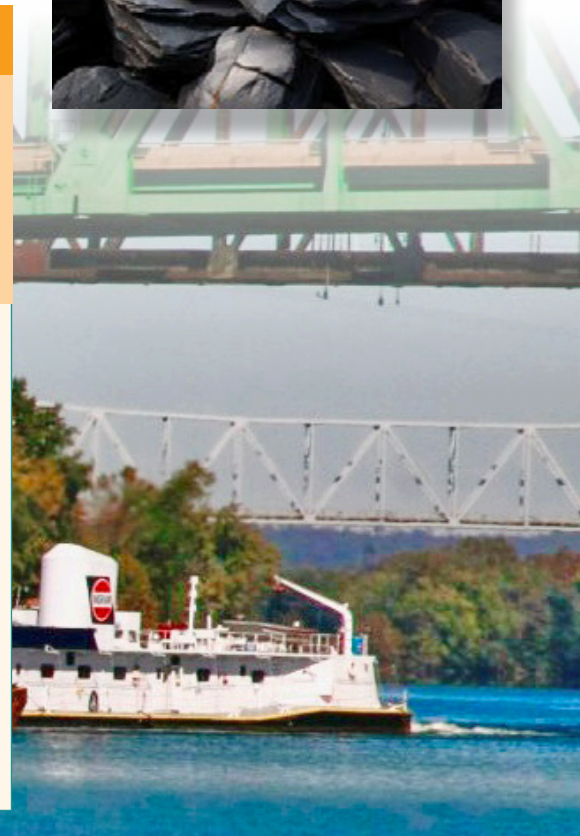
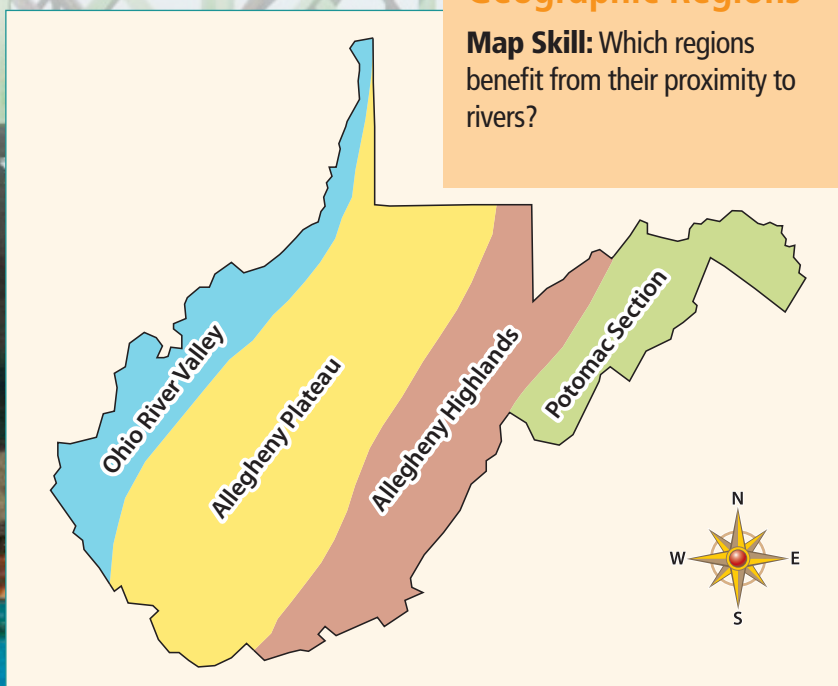
The Potomac Section is a large agricultural region. The rich limestone-based soil makes it a good place to grow apples, peaches, and other fruits. The state's poultry industry is located here, especially in Hardy County. Farmers also raise other livestock. Because of the influx of new residents, some of the farmland has been sold to make way for housing developments. The fourth of the state's gaming establishments is in Jefferson County.



Map 4.2

Geographic Regions

Map Skill: Which regions benefit from their proximity to rivers?



Scenic Highways and Byways Will Take You To...

Berdine's Five and Dime in Harrisville



In today's world of chain retail stores and mega malls, shoppers can find items to fit their every need. In addition, most recently and growing daily, online retailers provide a convenient way for people to purchase almost anything they could possibly need or want while sitting at home with a computer or phone. Online shopping has caused numerous brick-and-mortar stores, especially those that are family-owned, to close their doors. While so many of these stores no longer exist, there is a successful retailer in Ritchie County that has been open since 1908 and continues to offer customers a wide range of items.

In 1908, K. C. Berdine and his brother Lafayette opened Hunt & Berdine's Five and Dime at the corner of Court and Main Streets in Harrisville. At that time, Harrisville was in the center of the oil and gas boom. Doing business in an economically good climate resulted in a successful opening for the Berdine brothers. After being in business only one year, Lafayette Berdine left the business, so K. C. continued alone. In 1915, after its initial success, the store moved to a building at 106 North Court Street. This structure, built specifically to house the five and dime, remains the location of the store today. The iconic white-and-black two-story building houses the store on the bottom floor, while the Independent Order of Odd Fellows organization meets upstairs. K. C.'s son Fred ran the store from 1954 until 1983, when the Six family bought it and has owned it ever since.



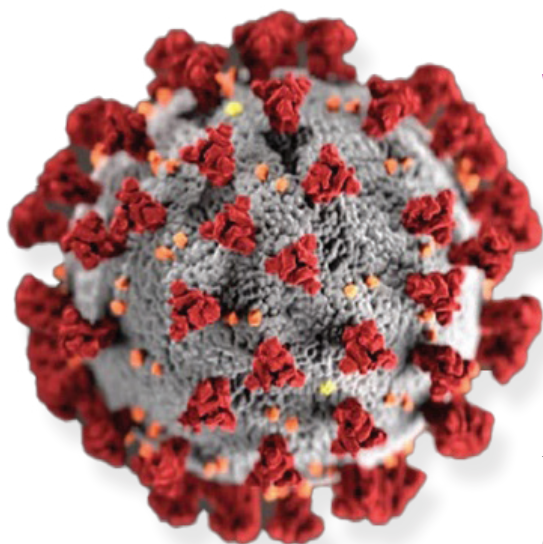


Berdine's sells novelty and historic items including tin toys, handmade glass Christmas ornaments from the Czech Republic, gag items, old-fashioned candies, penny candies, and other oddities. The store, which celebrated its 100th birthday in 2008, has been referred to as West Virginia's oldest five and dime store. It has also been called the oldest nickel and dime store in the United States. It is "full of the stuff you used to see at 5 and 10 cent stores... in every small town in America." Inside the store, visitors are in awe of its original antique candy counter, oak shelves and counters, and tin ceilings. Like stores from the past, Berdine's Five and Dime only takes cash.

The store is located in the Harrisville Historic District. Popular architectural styles in the district include Gothic Revival, Late Victorian, Colonial Revival, and Tudor Revival. Notable buildings to see are the Heritage Inn (about 1930), Lowther Building (about 1910), Trading Post (about 1898), railroad passenger depot (about 1910), St. Luke's United Methodist Church (about 1895), Harrisville Church of Christ (about 1925), and Stout Hardware (about 1915). The Ritchie County Courthouse (1923), another Historic District landmark, was listed on the National Register of Historic Places in 2004.



Opposite Page: Berdine's moved to its present location in 1915. **Top:** Tin toys are among Berdine's novelty items. **Bottom:** Berdine's oak shelves and counters hold thousands of items.



West Virginia's Economy 2020-2027

In 2019, West Virginia faced a health issue that would have catastrophic consequences on its economy. Worldwide, there was an announcement about a disease caused by a virus named SARS-CoV-2. The announcement cautioned that the virus was very contagious and spread quickly. At that time, Governor Jim Justice cautioned West Virginians to be aware and seek testing if they had any symptoms. By March 16, 2020, West Virginia had tested 84 people for COVID-19. The next day, West Virginia became the last state in the Union to have a COVID fatality when it confirmed a death from the virus in Marion County. As of April 2022, West Virginia reported 498,890 cases and 6,794 deaths from the virus.

In the first three months of 2020, Governor Justice made many decisions designed to ensure that citizens would avoid circumstances where they would be near others. Those decisions initially closed schools and restaurants and ultimately told people to stay home. That led to virtual learning in schools and relying on technology for a variety of things, including working at home and shopping online. Between mid-February and mid-April 2020, West Virginia lost nearly 94,000 jobs. By the fall of 2020, as shelter-in-place orders ended and businesses began to reopen at various levels of maximum capacity (depending upon their sectors), employers managed to bring back by mid-August more than half of the previously eliminated jobs.

Above: The SARS-CoV-2 virus causes the disease known as COVID-19. **Opposite Page:** Scientists work to find vaccines and treatments for COVID-19 and other diseases.



Sectors most affected by social-distancing requirements, namely retail and leisure and hospitality, have experienced the most volatility since the pandemic began. Health care services also saw some disruption as providers delayed nonemergency care and routine appointments to limit spread of the virus and allow hospitals to increase bed and ICU capacity. The state's unemployment rate increased to nearly 16 percent in mid-April (rising from just under 5 percent). The recovery in payrolls was at its strongest during the initial reopening phases in May and June 2020, but businesses in the state added roughly 70,000 workers overall during the sixteen months or so following the job losses. This put statewide employment at approximately 96 percent of its pre-pandemic level.

In 2024, while West Virginia's economy has nearly fully recovered from the COVID-19 recession, there are some lasting issues. One of the major issues facing various sectors of the economy is the inability to receive supplies on time. Problems with the supply chain have impacted companies' abilities to produce products in a timely manner. West Virginia's economic growth prospects through 2027 are positive overall due to some major economic development announcements and initiatives. Three sectors—construction, manufacturing, and energy—are showing growth while experiencing major changes in how they operate and what they produce.



something extra!

The High Tech Corridor follows I-79 from Lewis County through Harrison, Marion, and Monongalia Counties to the Pennsylvania state line.

Construction

Construction was one of the state's first economic sectors to surpass pre-pandemic levels of activity. It has continued to produce growth since then. However, West Virginia's construction sector was predicted to be hurt by a national slowdown in the housing market. The overall outlook for the sector is good because of an investment in infrastructure and some major developments, e.g., passage of the Roads to Prosperity and Inflation Reduction Acts, a \$2.7 billion investment by Nucor, and the nearly \$1 billion hydrogen hub from a federal government grant.

The sector is predicted to see job growth of 1.1 percent through the end of 2027. Much of the growth in this sector will be tied to several industrial projects that are currently in the developmental stages and will bring in several thousand construction-sector jobs. These projects include Nucor's planned \$2.7 billion steel sheet mill and a \$500 million investment by Berkshire Hathaway Precision Castparts Corp. that will build a solar-powered microgrid on the site of a former aluminum plant in Ravenswood. It will power a titanium manufacturing plant to make parts for the commercial and defense aerospace industries, and the construction of a hub to produce electricity using carbon-free hydrogen. Additionally, the construction sector will benefit from projects made available under the Roads to Prosperity Act. This act provides funds for the construction and repair of roads and bridges.

The construction sector will also see some growth in residential construction. Although it was hurt by a national housing slowdown during the pandemic, recently an increasing number of permits for new single-family houses suggests that residential construction will now boost the economy.

Bottom: Though it was hurt by the COVID-19 pandemic, the residential construction sector is now on the rise.





Left: Manufacturing, especially clean-tech manufacturing, will continue to add jobs in the state.

Manufacturing

It is predicted that manufacturing will add jobs through 2025 as it will become involved in some new industries including clean-tech manufacturing, e.g., electric cars, solar panels, and wind and wave energy. These industries create less waste or toxicity. The impact of clean tech can provide lower costs to limit the number of resources needed while maintaining the companies' productivity levels. The forecast calls for primary metals, miscellaneous durable goods (led by electrical equipment), motor vehicles and parts, and food and beverage to lead the way in terms of manufacturing sector job growth over the next five years.

Manufacturing will enjoy job growth of around 0.8 percent annually between 2022 and 2027. Long-term projects in the sector support the construction of several large manufacturing projects (many of the same ones that will support the construction sector). The forecast for this sector also will be impacted by the state's commitment to emerging industries. The forecast calls for the state's involvement in energy industries, primary metals, miscellaneous durable goods (led by electrical equipment), motor vehicles and parts, and food and beverages over the next five years.

Metals and Nonmetals

The metals industry has been one of the hardest-hit major manufacturing subsections in West Virginia over several decades. The nonmetals subsector is expected to see limited growth, but projects under the Roads to Prosperity Bill provided funds to repair and/or build new infrastructure in the state. This included building and repairing roads, which resulted in increased purchases of concrete and cement.

Automobiles

The prediction is for strong growth in the automotive manufacturing subsector. One of the largest projects will bring a major expansion in the Toyota Plant in Buffalo. Toyota is investing \$50 million in capital spending to upgrade its engine production line and develop a transmission production line for hybrids and EVs (electric vehicles). Toyota's investment represents a potential step in West Virginia's desire to develop links with clean-tech manufacturing industries.

Auto Parts

Green Power Motor Company developed a plant to produce electric school buses. Gestamp will make parts for electric vehicles at its plant in South Charleston. Form Energy will build storage batteries at a plant it is constructing in Weirton. Sparkz built a factory in Taylor County to produce cobalt-free lithium batteries for electric vehicles.

Food and Beverage

The food and beverage sector is predicted to increase by 1 percent through 2027. Most of the growth will come from the Mountain Top Beverage facility in Monongalia County, but continued emphasis on craft beer and food-based tourism are expected to provide a boost in certain sections of the state.

Below: Jobs in the food and beverage sector are predicted to increase through 2027.



Energy

During the recovery from COVID-19, the energy sector was somewhat volatile. Coal has been the major producer in West Virginia for decades. Coal and electricity fell sharply during 2020, while natural gas saw a large increase in production brought on by the reduction of gas supplies to Europe following Russia's invasion of Ukraine. The state's energy sector faces uncertainty due to the new federal energy policies designed to reduce carbon emissions. West Virginia has historically relied on several natural resources—coal, natural gas, wind, water—to produce electricity. West Virginians used about three-fifths of the electricity generated in the state in 2022. As a result, West Virginia was a net supplier of electricity to the regional grid and was among the top states in interstate transfers of electricity. Only four other states sent more of their electricity generation out of state. ARCH2 will change the way electricity will be produced in the state when it becomes operational in 2028.

President Biden's Inflation Reduction Act (IRA) of 2022 makes the single-largest investment in climate and energy in American history, enabling America to tackle the climate crisis and secure America's position as a world leader in domestic clean energy manufacturing. It advanced the Biden-Harris administration's climate goals, including a net-zero economy by 2050. The Act offered incentives for states to receive federal money to focus on ways to reduce carbon output in the environment. While reaching these goals would be good for the environment, it would result in a decreased demand for coal and natural gas in West Virginia. The state's coal production is expected to fall from 81 million tons in 2022 to approximately 69 million tons by the end of 2027. It is predicted to continue to fall as more and more emphasis is placed on using renewable sources to produce energy.

Natural gas production will be more favorable than coal. The production of natural gas is predicted to continue to grow between 2022 and 2027, as higher prices provide incentives for producers to restart gas exploration and drilling. Natural gas employment is expected to follow production increases, rising from about 5,000 workers in 2022 to about 6,500 by 2027.

The Re-power Appalachia project will increase solar and other renewable energy in the southern part of the state, which has been hurt economically by the decline of the coal industry. This program will train a workforce to install 750 solar roofs annually. This project will be supported by an investment fund to help small businesses and nonprofits access low-cost loans and take advantage of several other incentives.



Above: In 2022, only four other states sent more of their electricity generation out of state than West Virginia.



Service

While goods-producing sectors have endured significant turmoil over the course of the pandemic—due to supply chain disruptions, labor supply shortages, and skyrocketing energy prices—the construction, energy, and manufacturing sectors have seen employment and output recover to pre-pandemic levels. By comparison, several service-providing sectors experienced massive drops in economic activity during the early phases of the pandemic and have not recovered as much as other sectors.

Concerns over infection risks in indoor settings were significant issues for these sectors, particularly leisure and hospitality, during 2020 and portions of 2021. Since then, restaurants, bars, and other businesses in the leisure and hospitality sector have faced persistent problems with labor-supply shortfalls. Rising wage bills, increased worker turnover, greater competition for workers with other sectors, and several years of lower immigration levels into the United States have reduced the labor supply to some degree. Some segments of the leisure and hospitality sector did not see their payroll levels reach pre-pandemic levels in 2024 and are likely not to see staffing levels reach those levels in the foreseeable future.

Health care is another sector that experienced major issues due to the COVID-19 pandemic. Although many of the job losses the sector faced during the beginning phases of the pandemic were recovered as hospitals began to reopen patient services by mid-2020, increased hospitalizations and ICU utilization rates in 2020 and 2021 placed significant strains on the available staff and resources. Several of the state’s major health provider networks had to cut back or eliminate certain types of care and services due to the large numbers of patients who required treatment for COVID-19.

Top: The health care sector experienced major job losses at the beginning of the COVID-19 pandemic, but it recovered as hospitals reopened non-emergency services by mid-2020. **Right:** Increased hospitalizations during the pandemic put a strain on available health care workers.



Brad D. Smith

Brad D. Smith was born on April 6, 1964, and grew up in Kenova, less than ten miles from Huntington. When Brad was six years old, a plane carrying the Marshall University football team crashed at Tri-State Airport, near Brad's house. All 75 passengers—players, coaches, and others—perished.

From his bedroom window, Brad could see the fire on a hillside. As he grew older and could better explain how the crash affected him, he said, "I watched a community come together. I saw a university step up in a way that never had been done before. I watched neighboring universities offer assistance, and I saw a football program and its community rise once again—from ashes to glory." That event taught him to embrace the values of integrity, humility, and teamwork throughout his career.

After graduating from Ceredo-Kenova High School, Brad spent a semester at the U.S. Military Academy (West Point). After that, he enrolled at Marshall University and received a degree in business administration. He then received a master's degree in management from Aquinas College in Michigan.

Smith's business career included leadership positions at PepsiCO, 7UP, ADVO, and ADP. It culminated with an eleven-year tenure as CEO of Intuit—a company that evolved from a North American desktop software company to a global cloud-based platform. Intuit became an industry leader and one of the 100 Best Places to Work each year.

Brad Smith was unanimously elected Marshall University president in October 2021. As president, Smith has used his experience as a Silicon Valley CEO to best serve Marshall students' education and future. Smith's innovations include tailoring students' experiences, extending Metro Tuition (allowing students who live in certain Kentucky and Ohio counties to receive in-state tuition), and encouraging design-thinking training. All of Smith's work is inspired by his long-held mission to uplift West Virginia's people and economy.

Smith's changes at Marshall include an overhaul of the university's business curriculum, with an emphasis on teamwork, innovation, and local economic integration. Brad's vision also included building a new facility with cutting-edge resources, technology, and collaborative spaces. Donations from supporters, and \$25 million from Smith, made the Brad D. Smith Center for Business and Innovation (pictured below) a reality. The project includes a 78,000-square-foot facility in Huntington, the latest technology, a 360-

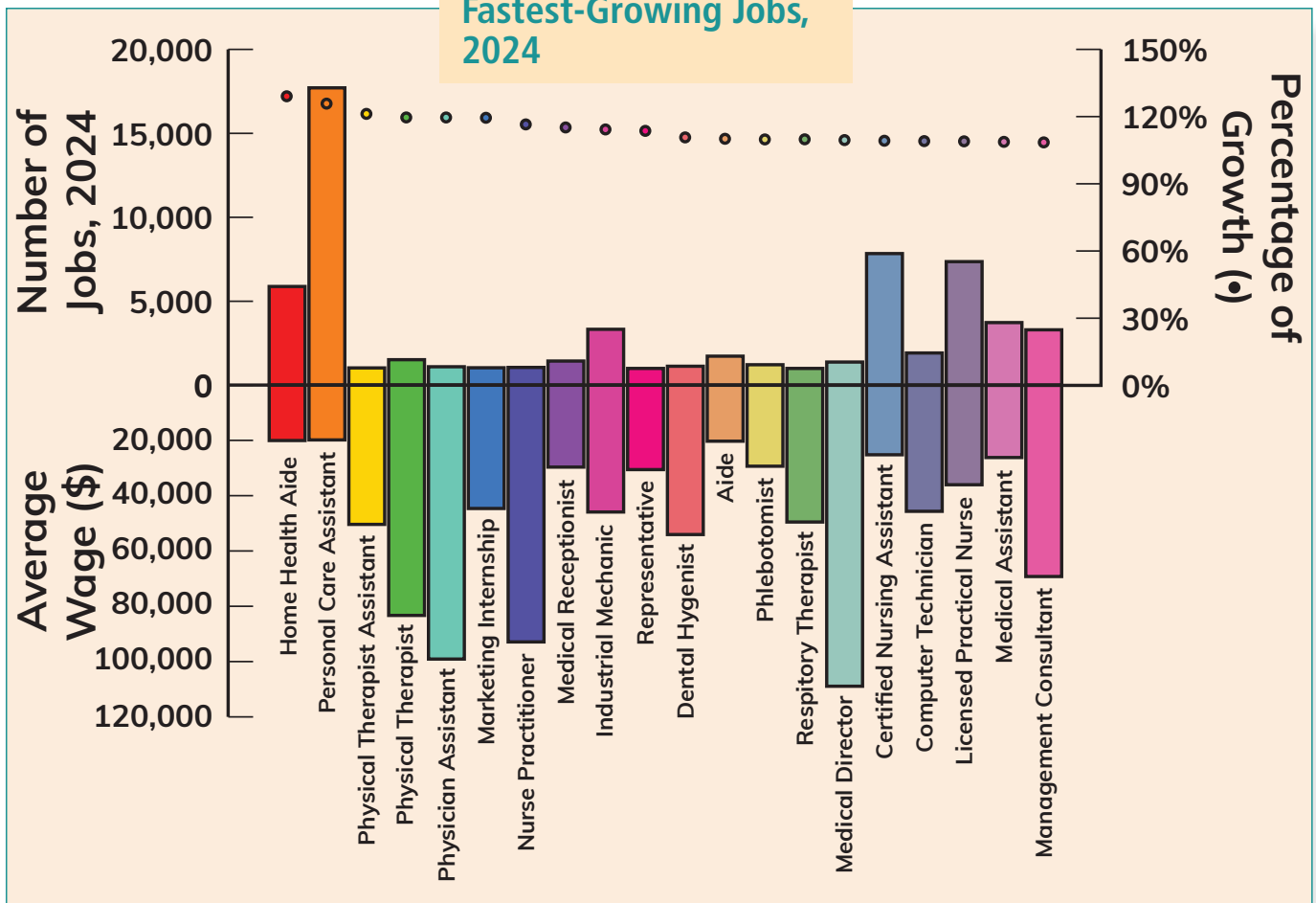
seat auditorium, a finance lab with 12 Bloomberg Terminals, a computer lab, and nine classrooms. Each classroom is equipped with one ThinkHub Instructor Station, six Student Stations, and four ThinkHub Docks.

Brad Smith's life lessons and his values—intellectual curiosity, humility, and grit—have made him a successful businessman and an innovative and accessible university president. He often cites the phrase "Never mistake kindness for weakness." Intuit employees named its signature headquarters building The Brad D. Smith Building. In addition to his name, the inscription includes his signature phrase—Work hard. Be kind. Take Pride.



Figure 4.6

West Virginia's 20 Fastest-Growing Jobs, 2024



Recent changes within the state's health care sector enabled some providers to hold up relatively well during the pandemic and position themselves to maintain healthier financial conditions going forward. For example, the state's largest health systems expanded by merging and/or developing partnerships with smaller rural partners or struggling regional medical centers. These actions not only helped financially, but also served to protect (and eventually improve) patient care in underserved areas.

It is predicted that job growth in the service sector will remain strong for several private, service-providing sectors over the next year or so, as the labor market for hospitals, medical offices, daycare centers, restaurants, and hotels gets closer to normal. Health care services should continue to enjoy growth that exceeds the overall statewide average. Recent moves by WVU Medicine, Charleston Area Medical Center (CAMC), Mon Health, and other major networks are bringing about improved financial conditions and are supporting an increase in certain services that previously had not been available in some parts of the state.

Among other major service-providing sectors in the state, retail trade is expected to face the most downward pressure on payrolls in the future. Consumer demand and income growth that was provided by the federal government during the pandemic are no longer available. The loss of that income as well as high energy and food prices have raised concerns that an economic downturn will continue to limit the amount of money families have to spend. Additionally, West Virginia's underlying demographics and changes in the retail sector from brick-and-mortar stores to online shopping limit employment opportunities in the state, particularly in those outside of the state's stronger economic regions.



Reviewing the Section

Reviewing the Content

1. What does the term *demographics* mean?
2. Name two factors that negatively impact West Virginia's economic growth.
3. Which industry has seen the most growth over the last five years?

Using the Content

1. Write a slogan to attract more domestic business to West Virginia.
2. Write a letter, or send an email, to West Virginia's governor suggesting a way to help the state's economy grow.

Extending the Literacy Skill

Look at Figure 4.7 on page 176. Use the information there to answer the following questions.

1. What does the information in Figure 4.7 show?
2. In what area are most of the jobs found?
3. How much growth is projected for nurse practitioners?

Top: Online shopping has changed the way consumers purchase everyday items.

The Role of Individuals in a Global Economy

Below: To be economically secure, all organizations—from nations to states to businesses to families—must learn how to manage their income and spending. **Opposite Page:** Credit card bills should ideally be paid in full each month.

As you read, look for

- the importance of preparing a budget;
- the steps in preparing a budget;
- types of services offered by a bank;
- benefits of having a savings account;
- investment opportunities;
- the importance of having a good credit history;
- factors that make up a credit history;
- terms: **credit, interest, budget, income, expenses, checking account, savings account, certificate of deposit, money market account, invest.**



Nations and states must watch their income and spending to achieve economic security; so too must individuals. Individuals who do not know how to handle money may never have financial security. Just think what would happen to our country or state if all West Virginians managed their money poorly. People could not pay their bills, which would cause businesses to close, resulting in a loss of jobs. Fewer jobs would mean less income. People could not buy things, which would result in even more businesses closing and more unemployment. This may sound like something that could never happen. But this is exactly what did happen in the early 2000s, when the United States experienced its worst economic downturn since the Great Depression.

The High Cost of Credit

Credit is a wonderful thing if you use it wisely. Most people use credit in two ways: by taking out a loan or using a credit card.

Loans are usually acquired to purchase an expensive item, like a house or car. Some people use loans to cover medical or educational expenses or to sustain them when, for instance, they lose a job. Loans can be useful, but they come with a cost. When you repay a loan, you must pay the amount borrowed (principal) plus a fee for borrowing (interest). Therefore, it will cost more to pay back the loan than the money you borrowed.

Credit cards are convenient for making everyday purchases, like food, clothing, or fuel. Ideally, they should be paid in full each month. This will prevent finance charges and/or late fees from being added to the balance. Because credit cards are easy to use, many people misuse them, running up large balances and finding it hard to pay back the full amount. Although credit card companies allow a minimum payment, they add a finance charge (interest) to the balance. If the monthly payment is not made on time, a late fee is added. People who make only minimum payments or late payments find that their total debt keeps rising even if they do not make additional purchases. Eventually they may owe more money from late fees and finance charges than the amount of the original purchases.

Credit card finance charges are generally much higher than the rates for loans. The annual interest rate on credit cards ranged from 20 to 23 percent in 2024. Some credit card companies increase your interest rate to nearly 30 percent if you routinely miss payments or make only the minimum payment. Most credit card statements show how long it will take to pay your balance if you only make a minimum payment. They also show what amount, including interest and fees, you have paid.

Financial institutions and businesses check a person's credit history to decide if he or she qualifies for a loan or credit card and, if a person does qualify, how much credit will be available. It's never too early to start thinking about the importance of credit!



During the early days of the twenty-first century, people overextended their credit to buy things they wanted but probably did not need. (**Credit** is the ability to buy things now and pay for them over time.) Eventually, those people could not pay off their credit cards in full at the end of the month. This resulted in **interest** (money paid for the use of money), usually at a high rate, being added to the amount owed. Eventually the inability of many thousands of creditors to pay their debts put lending institutions at risk. If lending institutions—banks, retail stores, and credit card companies—do not receive payment, they cannot continue to do business. Understanding the four major areas of personal finance—budgeting, saving, investing, and credit—will help you keep from getting into a credit crisis. Having an understanding of these areas will also help you make better financial decisions to benefit yourself. It will also help you understand decisions made by your state and nation and make you a better citizen.

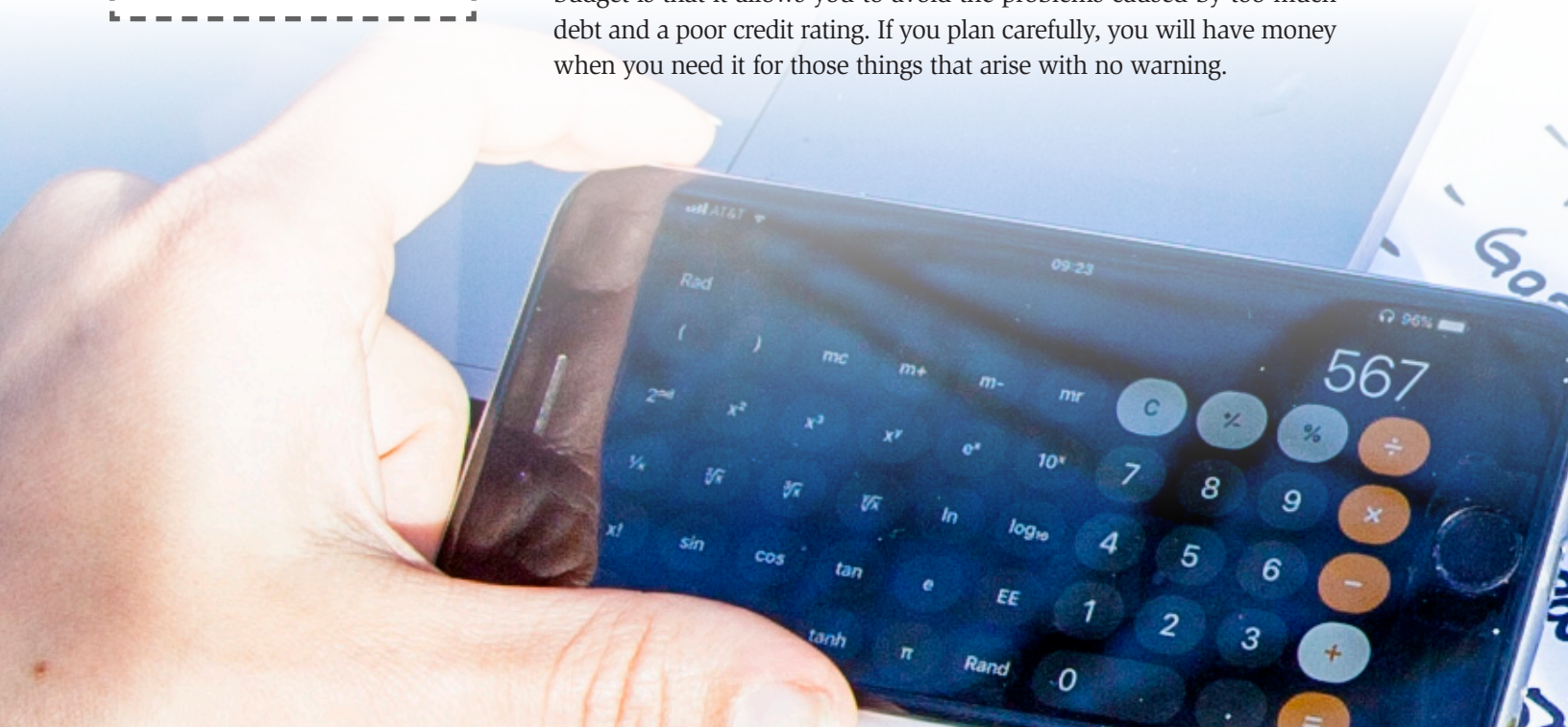


something extra!

Most people prepare a budget based on the calendar year. Governments and businesses often work on a year that runs from July 1 to June 30.

Budgeting

Everyone needs a plan in order to manage finances wisely. One easy way to ensure that you will handle money effectively is to develop and follow a personal **budget** (a plan for receiving and spending money for a specific period of time). A budget reduces the stress of managing money by allowing some funds for short-term activities, other funds for essentials, and still other funds for long-term goals. Those who have a workable budget find it easier to set and reach financial goals, such as buying a car, saving for a college education, or setting money aside for a special vacation. The biggest advantage of planning and following a personal budget is that it allows you to avoid the problems caused by too much debt and a poor credit rating. If you plan carefully, you will have money when you need it for those things that arise with no warning.



Bottom: Preparing a personal budget helps you manage your money effectively.

Planning a Budget

When developing a budget, you should plan for a whole year by following several specific steps. First, make a list of all your **income** (money earned for working, providing services, selling goods or property, or from investments), which may come from several different sources. As a young person, your income may come from your family; it might include an allowance, money given to you for school or personal expenses, and financial gifts for special occasions. Other income may come from outside the family. That might include monies you earn from part-time jobs and interest you receive on a bank account or investment. Make a monthly income list, keeping in mind that you may have extra income in the summer months if you are able to do lawn care or babysit. In other months, when school activities keep you busy, you may have less income. Determine the total of your income for twelve months and then divide by 12 to get a monthly figure.

Now that you know about your income for a year, make a list of **expenses**, what you spend on your own needs and wants. To do this, make a list of your monthly expenses. Some expenses, such as school-related expenses, food, and entertainment, will occur regularly. Other expenses will occur only at certain times of the year, such as Christmas. Keep track of all the money you spend in a given month by selecting a typical week and recording each evening the actual monies you spent during that day. You must include everything—even small purchases such as gum, soda, or nail polish.






something extra!

Today, there are software programs that will help you develop and maintain a budget. Some programs also help you keep track of your spending.

After you make a list of all your expenses, determine which are *fixed* expenses (set amounts that must be paid each month) and which are *flexible* expenses (amounts that are not set and may vary from month to month). An example of a fixed expense is a loan payment that has to be made each month. A flexible expense might be entertainment, where you have \$25 to spend one month but only \$10 in another month. Categorize each expense on your list as fixed or flexible.

Next, compare your total expenses with your monthly income. Does your monthly income cover your expenses? If so, you're in good financial shape. If your expenses exceed your income, you must look at your expenses and find ways where you can cut back. Even if your income and expenses are in line, you might need to change your budget to plan for unexpected events. To account for the unexpected, try to increase the amount you save. Your savings is a fund you can use when the unexpected occurs.

Developing a personal budget will help you understand the process that states and nations go through to create a plan to manage their money. Just like you, government agencies must balance their income and expenses to have financial security.



Top: A budget should include available income for daily use as well as savings for emergencies.

Making Adjustments

Every budget plan is just that—a plan. You must be flexible enough to adjust the budget so that it remains workable and realistic. If you find yourself falling short from month to month, it is time to rework the plan by reducing your expenses or increasing your income. Expecting income that does not materialize, underestimating expenses, forgetting special needs—all of these are weaknesses in your plan that must be addressed. Budgets are useless if they are not realistic.

A budget allows you to save for short-term and long-term goals, but it will not work if you do not have the patience to wait to buy that new smartphone or latest video game. Only you can decide when to purchase items you want or need. Some people always wait until they have enough cash saved up to make a special purchase; others simply purchase the item on credit and pay for it over time.

Even with careful planning, people can easily forget expenses connected to special events—holidays, vacations, birthdays, graduations, new friends, new hobbies. It is easy to “blow the whole budget” when Christmas is coming and you have to buy presents for your friends and family.

Every budget should include savings that can be tapped for little or big emergencies—the unforeseen, the unexpected. Those who have saved will have a little extra emergency cash on hand. Those who did not save will be pulling funds from other expenditure areas, which is tricky at best, and often a disaster.

Right: When you are saving money, every coin helps.

Below: Savings add up over time.

Savings

The most important element in financial planning might be having a savings plan. As you saw when planning a budget, a savings plan requires that you set aside some monies each month to help you achieve short-term and long-term goals. A typical long-term goal is to save for your first car or to save for your college education. A typical short-term goal is to save so that you will have extra cash to cover the unexpected. It does not matter whether your savings are put aside in a piggy bank or a special bank account. What matters is that you save some money each month. If you do not already have a savings account in a bank, you may want to open one.

Most West Virginians deposit their money in banks. People commonly have a **checking account** (an account against which the depositor can write checks to pay bills on demand). A checking account is sometimes considered a “flow through” account. Money flows in from deposits and out when checks demand the money be moved from the account for specific purposes.

If you want to keep your money in a bank account for a longer period of time, you may also put your money in a **savings account** (a holding place for money for the future). Customers may also choose a **certificate of deposit** (a bank certificate that draws interest and is written for a specific period of time) or a **money market account** (a special account whose interest fluctuates with the national interest rate).

Banks use the money in depositors’ accounts to make loans. To reward depositors for allowing them to use their money, banks pay interest on the amount of money in the accounts.

Suppose you deposit \$100 in a savings account and receive 5 percent interest on the balance. At the end of the year, if you have not withdrawn any of the money, the bank will pay you \$5 in interest, making your balance \$105. Some banks also pay depositors interest, usually at a lower rate, on checking accounts.

Banks can pay interest to depositors because the banks earn money from those people who take out loans. A borrower must not only repay the amount borrowed but must also pay interest on the loan. Interest on loans is the main source of money for most banks. When interest rates are low, people are more likely to borrow money and make large purchases. An increase in buying stimulates the economy by increasing the demand on manufacturers, causing the need for more workers. When more people are working, there is also more money available to continue the buying cycle. But when interest rates are low, people may be less interested in saving because they do not earn as much interest. When interest rates are high, people are less likely to borrow money because the amount they have to repay is high. This is the time when more people add to their savings accounts or purchase certificates of deposit rather than buy a lot of consumer goods. Because buying declines, manufacturing declines and unemployment goes up. The ability of individuals to borrow money and purchase goods affects the overall economy of the state and nation.



Investing

In addition to saving for your future, you may reach a financial position where you can use some of your money to **invest** (buy an asset hoping that it will provide future profit or income). When you invest money, you must understand that there is a possibility you will lose instead of make money. Some investments can be very risky. Risky investments offer the potential for high profit, but the potential for losing your money is also high. Low-risk investments normally offer very small gains or profits.

Investment opportunities include stocks and bonds (long-term debt certificates with interest payments). Research shows, however, that some stocks and bonds are very low-risk investments—for example, U.S. Treasury savings bonds or bonds issued by cities. People who invest in the stock market (a location where shares of ownership in a corporation, called stocks, are bought and sold) take a greater risk. Most investors try to protect themselves by investing in a variety of high-risk and low-risk ventures.

Investments are not limited to the stock market. Some people invest in property. These investors hope to buy a piece of land at a low price, hold that land for a period of time, and sell it at a higher price to make a profit. Other people buy old houses, restore them, and sell them for a profit. People also invest in gold and silver, in artwork, and in businesses. Some even invest in nonconventional areas, like athletes. For example, a group of golf club members might pool their monies and invest in a young golfer just starting on a professional career. The investors finance the golfer's first few years on tour in exchange for a percentage of any monetary winnings. If the young person plays well and wins a few tournaments, he or she could earn millions of dollars. A percentage of those earnings would belong to those who invested in the golfer's future success. If the golfer is not successful, the investors will lose their investment.



Top: Some investors buy old houses, make improvements to them, and sell the renovated properties for a profit. **Left:** When investing in stocks and bonds, it is important to do your research before taking a risk.

Using Credit

Using credit wisely is sometimes difficult for many people to master. It seems so easy to take out a plastic card when you are short of cash. Many people buy something they want now and pay for it over a period of time instead of saving their money until they have enough to purchase the item with cash.

Your access to credit depends upon several factors, including your income, how much you borrow, your payment history, and how much you owe. These factors are used to define a person's *credit history*; they represent a person's ability to pay future debts based on a record of past debt payments. If you have credit and make payments on time as required, you develop a good credit history. A poor credit history reflects that payments were made late, or not at all; items purchased on credit may even have been repossessed or legal proceedings may have been brought against those who failed to pay as promised. Having a good credit history is important because it allows you to qualify for future credit, and your interest rate will be lower than that offered to people with poor credit histories.

Most people make large or major purchases, such as houses and automobiles, on credit. The company sells the item and works out a payment schedule, which includes interest. The longer it takes you to pay for it (finance it), the more interest you will pay. That is why people often make a sizable down payment (a portion of the selling price) for major items. In that case, the amount to be financed over time is as small as possible.

Interest rates vary based on the interest rate the Federal Reserve System charges to loan money to banks. Interest rates also vary from one loan agency to another. That is why it is wise to comparison shop when making large purchases. When shopping for a car, for example, the car dealer may offer a lower interest rate than a bank because the dealer is motivated to sell cars.



As you enter into debt to finance purchases, you can use the often recommended “20 percent rule.” This rule states that your total debt, excluding home mortgage payments, should be no more than 20 percent of your net income (the amount of income you actually take home) each year.

Background: Credit cards make it easy to buy things but also make it easy to overspend. **Above:** Many adults use credit to purchase a house.

Reviewing the Section

Reviewing the Content

1. What is a budget?
2. Name some ways that you can invest your money.
3. What factors make up your credit history?

Using the Content

Based on what you have learned about personal finance, write a letter to a friend advising him or her on ways to obtain financial security.

Extending the Literacy Skill

Joe made a personal budget that included the following monthly expenses: Rent, \$750; Savings, \$200; Utilities, \$110; Food, \$135; Car payment, \$160; Loan payments, \$595; Insurance, \$115; Transportation (including gas), \$115; Clothes, \$95; Services, \$60; Entertainment, \$100; Other, \$75. Use this information to make a circle graph of Joe’s monthly expenses. Then answer the following questions.

1. What is the total amount of Joe’s monthly expenses?
2. What is Joe’s largest monthly expense?
3. What might be included in the “Other” category?

Chapter Summary

Section 1: A History of a Global Economy

- Trade is the voluntary exchange of goods or services. The first form of trade was barter.
- After reading Marco Polo's book about travels to China, Europeans began looking for all-water trade routes to the Far East.
- During the colonial period, Great Britain supported a policy of mercantilism.
- Inventions such as steamships and railroads brought growth in global trade.
- After World War II, GATT (General Agreement on Tariffs and Trade) was ratified to manage global trade. In the 1990s, it was replaced by the WTO (World Trade Organization).
- Donald Trump was the first president since 1980 to put tariffs on goods from previous free trade partners. Joe Biden removed the tariffs in 2021 but put them back on in 2024.
- West Virginia's export markets have been driven by the demand for coal and other natural resources.

Section 2: West Virginia's Demographic Profile

- West Virginia has the largest number of residents over age 60 in the country.
- Between 2012 and 2016, reduced demand for West Virginia's exports resulted in job losses, especially in the coal industry; demand for natural gas grew; most manufacturing declined; and service industries saw a mixed performance.
- Most West Virginia industries are predicted to show some growth through 2027. The one exception is the coal industry, which is predicted to continue to decline.

Right: The global economy allows anyone to purchase goods from another part of the world. **Opposite Page:** The stock market enables money to move between investors and companies.

Section 3: The Role of Individuals in a Global Economy

- The four areas of personal finance are budgeting, saving, investing, and credit.
- A budget is a plan for receiving and spending money for a specified time period.
- Banks offer savings accounts, certificates of deposit, and money market accounts, which all pay interest.
- Banks earn interest from loans they make. People borrow more when interest rates are low and save more when rates are high.
- People make investments (like stocks and bonds) in hopes of making money.
- A good credit history allows you to qualify for future credit and lower interest.



CHAPTER 4

The 21st-Century Global Economy

Recalling the Facts



1. What role did Marco Polo play in creating an increased interest in global trade?
2. What is mercantilism?
3. What inventions brought about a growth in global trade in the nineteenth century?
4. What is NAFTA?
5. What are the effects of global trade?
6. What is West Virginia's top export market?
7. How has the role of small companies changed in the export marketplace?
8. What demographic factors affect the economic growth in an area?
9. What natural resource is projected to have strong growth by 2027?
10. What area is expected to show the largest job growth by 2027?
11. What are four areas of personal finance that are important to a person's financial security?
12. What are some ways you can save money?
13. What are the benefits of having good credit?

Learning Skill



1. Have free trade agreements helped or hurt the national and state economies? Give reasons to support your answer.
2. What jobs do you think will be needed fifty years from now?
3. Why do you think foreign countries are willing to invest in West Virginia? Give reasons for your answer.
4. What advice would you give to your friends about buying on credit?
5. How does your management of personal finances impact the economy of West Virginia and the world?

Chapter Review

Community Connection



Interview the owner of a small business in your community to determine if the business would be a good candidate for exporting its products.

Writing Skill



1. Choose a business located in West Virginia and write a help wanted ad for possible employees. Include a list of qualifications for the job, duties to be performed, and a salary range.
2. Look at a want ad written by a classmate in the previous activity. Write a résumé listing your own qualifications for the job.

Technology Tool



Go to the website www.barchart.com/stocks/top-100-stocks?orderBy=weightedAlpha&orderDir=desc and choose a stock from those listed. Return to the site each weekday for the next three weeks and record the stock's daily price. Create a graph to show your data. Be prepared to tell the class why you think the value of the stock went up or down.

