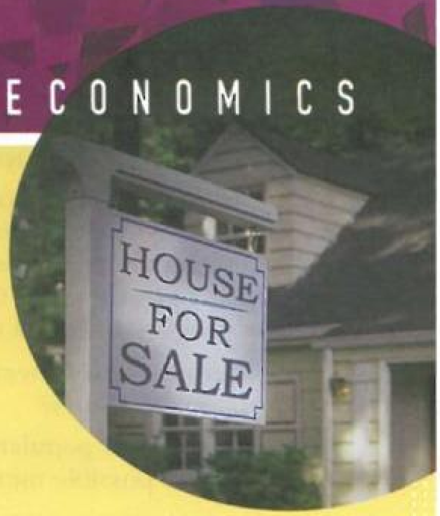
UNIT 6

ECONOMICS



Boom and Bust

In this unit, you will

- read about economic bubbles and why they occur.
- review uses of the present tense.
- increase your understanding of the target academic words for this unit.

READING SKILLS Describing Trends; Summarizing and Reporting

Self-Assessment

Think about how well you know each target word, and check (✓) the appropriate column. I have...

TARGET WORDS (AWL)	never seen the word before	seen the word but am not sure what it means	seen the word and understand what it means	used the word, but am not sure if correctly	used the word confidently in *either* speaking *or* writing	used the word confidently in *both* speaking *and* writing
accurate						
attitude						
commodity						
compound						
denote						
dispose						
estate						
file						
ideology						
infrastructure						
norm						
secure						
specify						
trend						
underlie						

Oxford 3000™ keywords

Before You Read

Read these questions. Discuss your answers in small groups.

1. People sometimes buy collectible items such as paintings or comic books because they hope to "make a killing"—or earn a lot of money—by reselling them when the price goes up. Can you think of any collectible items where that has been the case? Can you think of any cases where collectors "lost their shirts"—or lost all the money they invested?
2. Are there any investments that are "sure things"—ones that are safe and usually make money?
3. Here are several popular sayings that could relate to buying and selling. Discuss the possible meanings of these sayings. Are they good advice?

   Don't count your chickens before they hatch.

   A fool and his money are soon parted.

   Don't look a gift horse in the mouth.

   The early bird gets the worm.

   Nothing ventured, nothing gained.

   Don't throw good money after bad.

MORE WORDS YOU'LL NEED

asset: something with monetary value that a person or organization controls such as buildings, machinery, stocks, cash, or inventory

momentum: an object has momentum if its current speed will carry it farther even if no more force is applied. Prices and popular ideas are also said to have momentum.

speculator: someone who buys and sells things at increased risk in hopes of making a greater profit

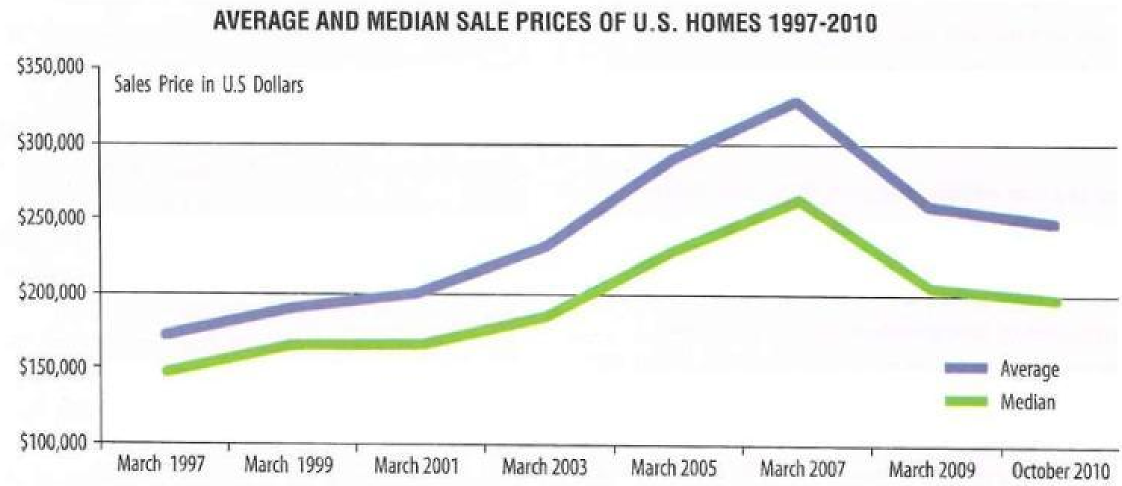
Read

This online article explains the phenomenon of economic bubbles and what causes them to burst.

ECONOMIC BUBBLES

An economic bubble occurs when speculation in **commodities** (such as oil), **securities** (such as stocks and bonds), real **estate**, or collectibles drives up prices well beyond the item's intrinsic value. The end result of this *boom* in price is a *crash* or *bust*. The price falls sharply once it becomes clear that it is far beyond the purchasing power of potential customers.

Speculators risk money in such investments because they hope that the price of an asset they purchased will quickly increase. Since most speculators are nervous about where they invest their money, bubbles are by no means the **norm**. After all, speculators face the danger that the item is already overpriced. They also know that rising prices will encourage



In 2006, many countries experienced a real estate bubble. In the United States, prices peaked in March 2007 and dropped 24 percent over the next three and a half years.

either greater production of a **commodity** or greater willingness of current owners to sell. Either of these conditions can serve as a "negative feedback" mechanism that adjusts prices downward. In economic situations, negative feedback works a bit like your eyes do. As the light gets brighter, your pupils get smaller and let in less light. But what if your eyes worked as a "positive feedback" mechanism? In sunlight, your pupils would open wide and damage the retina.

Economic bubbles occur when prices **trending** sharply upward serve as a positive, rather than a negative, feedback mechanism. For whatever reason (fear of shortages, greed, an excessively optimistic **attitude** toward the future, or misinformation about an asset's **underlying** value), buyers believe that the value of the asset will continue to rise well beyond the current price. If the price rises, exuberant speculators buy more, or those who missed out on the lower price want to buy before the price rises any higher. Some economists offer the "greater fool theory" to explain this: Buyers justify the high price they pay by assuring themselves that they will find "a greater fool" who will pay even more. Or buyers assume that a rising **trend** has a momentum that will surely carry it higher. Under the right conditions, prices can reach dizzying heights before falling. One famous example of this phenomenon is the tulip-buying bubble centered in Amsterdam in the 1630s when a single tulip bulb could cost a year's salary (see Reading 2).

Most bubbles cause little or no economic damage. The losers (the "greater fools") are a bit wiser, and the winners (the sellers) are a lot richer. But the effects of a bubble might be felt more widely if the holders of the overpriced asset feel rich and spend foolishly. Imagine this: You buy a house for $200,000 for which you borrowed $160,000. At this point, you have $40,000 in equity in the house (the difference between the price of the house and what you owe). The market value rises to $500,000 over a 5-year period. Now you have $340,000 in equity ($500,000 – $160,000), so you borrow another $240,000 from a bank using this equity to **secure** the loan. You suddenly feel much wealthier. You control assets worth half a million dollars. You still have $100,000 in equity in your home, and you have $240,000 to spend. And you do—a down payment on a vacation home, your daughter's freshman year at an expensive private college, a new car, and luxurious home furnishings.

The market holds long enough for you to spend the money. Then it crashes and the value of your home falls to $325,000. Now you have negative equity and owe the bank almost $400,000. You ask yourself why you should be paying $400,000 for a $325,000 house, so you stop paying your loan and give your house, car, and vacation home to the bank. Depending on how this plays out, the bank or you or both will take a huge loss. If this situation is widespread, banks can fail and less money is available for the investments and purchases necessary to "grow" the economy.

Besides real **estate** bubbles, there are stock market bubbles. In a **normal** market, investors buy stock in a company (also called "buying shares") because they anticipate that future profits will be distributed to shareholders, or because they believe that the value of the company's assets will increase. The share price depends on how certain investors are that these gains will materialize—and uncertainty usually is enough to keep prices within reason. Sometimes, though, a "herd mentality[1]" sets in and too many investors rush to buy, driving prices to levels that prove unrealistic. Eventually, the price collapses. When this happens to many companies simultaneously, it is called a stock market crash, with panicked investors selling so much stock that the market can drop a staggering amount in a single day.

A famous stock market bubble was the "dot-com" bubble in the United States which lasted from the mid 1990s to 2001. Excitement about the economic possibilities of the Internet encouraged investors to fund the creation of many dot-com companies—too many, it turns out. For several years, instant wealth seemed within reach of any business with a website. Dot-com companies used expensive TV commercials to attract investors, sometimes without indicating what product they were selling. Many companies, to increase "market share[2]," purposely sold products at a loss, a scheme they believed would increase the company's customer base and lead to future profits. Instead, on March 10, 2000, the dot-com boom reached its peak. Its dramatic decline can be seen by looking at numbers provided by the NASDAQ Composite Index. This stock market index tracks the combined value of thousands of companies traded on the technology-heavy NASDAQ stock exchange[3]. On that day the index hit 5,132.52. Over the next two and a half years, the index dropped to as low as 1,108. Most of the dot-coms were out of business, **filing** for bankruptcy[4] or selling off their assets to healthier companies. Particularly hard-hit were communication companies that invested heavily in a high-speed communications **infrastructure** that greatly exceeded demand.

Bubbles are not limited to real **estate** or glamorous "get rich" stock offerings. In 1996, a series of stuffed animal toys called Ty Beanie Babies™ became such a fad that speculators bought up large quantities, assuming that their value as collectibles would rise greatly in future years. Did anyone make money on that fad? Maybe, but why not see for yourself? Check out the price of Beanie Babies in an online auction site and decide if any of these sellers have struck it rich.

[1] *herd mentality:* idiom; compares people to a herd (group) of animals that thoughtlessly follows a leader
[2] *market share:* the percentage of a market that one company controls
[3] *stock exchange:* a place where stocks and bonds are bought and sold
[4] *bankruptcy:* the legal condition of being unable to pay off debts; financial ruin

Reading Comprehension

Mark each sentence as *T* (true) or *F* (false) according to the information in Reading 1. Use the dictionary to help you understand new words.

___ 1. The reading implies that economic bubbles can seriously alter one's attitude about spending money.

___ 2. According to the reading, economic bubbles are the norm in a market-based economy.

___ 3. The reading implies that in the end no one makes money as the result of an economic "bubble."

___ 4. The reading says that the dot-com bubble led to widespread economic disaster.

___ 5. We can infer from the reading that under normal conditions, speculators tend to invest cautiously.

___ 6. The reading suggests that selling items below cost in order to gain market share is a poor business model.

READING SKILL Describing Trends

LEARN

A *trend* is an increase or decrease in a behavior over a period of time. Here is a list of verbs useful for describing trends:

climb	decrease	fall	increase	plummet	rise
decline	drop	grow	peak at	reach	top

APPLY

This brief article relates details of the end of another famous bubble: the comic book crash of 1993. First, scan the paragraph to get a sense of the direction of the trends. Then complete each sentence with an appropriate verb in the correct form. The same verb may be used more than once.

Modern comic books, which began appearing in the 1930s, were originally inexpensive and practically worthless. But over time the value of rare comic books (1) ________________, with *Action Comics #1*, a ten-cent title from 1938 starring Superman, selling for $5,000 (U.S.) in 1984. That kind of return on investment led comic book fans to believe that a new comic book purchased today could (2) ________________ into a small fortune tomorrow.

Fueled by this belief, demand (3) ________________ greatly, as did the industry to supply it. In 1980, there were about 800 comic book shops in the United States. That number (4) ________________ to 10,000 by 1993. Meanwhile, the number of titles (5) ________________. One company put out 40 titles per month in 1985. That number (6) ________________ 140 titles per month in 1993. *Action Comics #1* was now worth $82,500.

With too many titles competing, the crash came quickly. In 1993, 30 percent of comic books went unsold. Orders from stores rapidly (7) ________________ and the number of new titles (8) ________________. Within a few years, 90 percent of comic book shops were out of business and sales of new comics (9) ________________ by 70 percent. *Action Comics #1* is still rare and valuable—it sold for $1.5 million in 2010. But what about the newer comics from the 1980s and 1990s? Ask yourself this: How much would you pay for last week's newspaper?

Vocabulary Activities

Noun	Verb	Adjective	Adverb
attitude	____________	attitudinal	attitudinally
commodity	____________	____________	____________
estate	____________	____________	____________
file	file	____________	____________
infrastructure	____________	____________	____________
norm	____________	____________	____________
security insecurity	secure	secure insecure	securely
trend	trend	trendy	____________

A. Read these comments on investing. Fill in the blanks with a target word from the chart above that completes the sentence in a grammatical and meaningful way.

1. Organizations can borrow money by issuing bonds, a kind of ________________. A bond is a borrower's promise to repay the principal with interest at a future date.
2. Cities or states often issue *municipal bonds* to raise money for ________________ improvements, such as new highways, schools, or other public projects.
3. The amount of interest a bond pays depends mainly on the risk the investor faces. The higher the risk, the higher the interest rate. Municipal bonds are relatively ________________; thus they tend to pay a lower interest rate.
4. Investors have different ________________ toward risk. To help investors assess risk, bonds are rated from AAA, the most secure, to D, the least secure.
5. Investing in bonds issued by a corporation is somewhat safer than buying stock in the corporation. If the corporation must ________________ for bankruptcy, bondholders are paid first, before the stockholders.
6. Today, one of the ________________ investments is a "hedge fund." These rather mysterious funds make risky investments for small groups of wealthy investors.
7. Hedge funds invest very widely in stocks, bonds, currencies, real ________________, and ________________ such as wheat or oil.

B. **Circle the word that best captures the meaning of the bold target word in each sentence.**

1. The state board of education established new **norms** for children studying the language arts.
   a. usual behavior
   b. standards to meet
2. The bookshelf was **secured** firmly to the wall.
   a. fastened
   b. made safe
3. They **filed** the legal papers necessary for starting a corporation.
   a. stored documents
   b. registered to begin a process
4. The legal battle over who would inherit her **estate** went on for many years.
   a. house and land
   b. money and property
5. The fact that a large earthquake had not been felt since 1994 gave residents a false sense of **security.**
   a. freedom from risk
   b. protective measures
6. The state passed a bond to build more prisons and improve the **security** at existing ones.
   a. a stock certificate
   b. protective measures
7. Qualified math teachers are becoming a precious **commodity.**
   a. something useful
   b. raw material that can be bought or sold
8. The magazine is devoted to covering **trends** in women's clothing.
   a. styles of fashion
   b. general increases or decreases

C. **In small groups, pick one area of contemporary life from the box and describe a trend that you see developing in it.**

clothing fashions	television shows	careers
comic books	electronic media	recreation
popular music	the Internet	collectibles

Before You Read

Read these questions. Discuss your answers in small groups.

1. Mass hysteria is a situation in which a large number of people panic, act crazily, or show excessive excitement. Can you think of a situation where people displayed mass hysteria when a new product came out?
2. It is said that people will often do things in a crowd that they would never consider doing alone. Have you seen any evidence that this is true?

MORE WORDS YOU'LL NEED

botanist: a scientist who studies plant life
commerce: the buying and selling of goods on a large scale
propagate: to cause a plant or animal to multiply or breed
volatile: likely to change quickly and unpredictably. Financial investments or markets are sometimes volatile.

Read

This magazine article chronicles one of the most interesting economic bubbles in history.

Tulipomania

One of the most entertaining chapters in Charles Mackay's classic *Extraordinary Popular Delusions and the Madness of Crowds* (1841) concerns a speculative bubble that occurred in the Netherlands in the 1630s. What makes this bubble such a curiosity is that it concerned, of all things, tulips, a variety of flower grown from bulbs and noted for their vivid colors and striking patterns.

According to Mackay's account, in the mid-to-late 1500s, tulips from Turkey made their way to Amsterdam, where they grew in popularity among wealthy people who would pay extravagant prices for the rarer varieties.

Artist's illustration of tulips, circa 1615

The desire to possess them spread to the middle classes, and apparently people would spend a fortune to acquire a single root. The business in tulip bulbs was so great that by 1623 a single bulb could easily cost as much as a year's salary. And the rarest bulbs by 1635 could fetch as much as 40 times that. If Mackay's figures are correct, a single bulb of the prized *Admiral Liefken* variety was worth as much as 19 tons of butter or 440 "fat sheep." Apparently, owning such a prize **denoted** wealth and prestige.

Mackay enlivens his account with amusing anecdotes. A sailor, while delivering merchandise, idly stole a bulb of the prized

Semper Augustus variety from a merchant, and thinking it was an onion, ate it along with a fish that the merchant had given him. The sailor was quietly sitting on a coil of ropes finishing the "onion" when the merchant finally caught up with him. In another episode, a visiting amateur botanist saw an interesting-looking root lying in a wealthy Dutchman's home. Unable to suppress his curiosity, he cut up the pricey *Admiral Van der Eyck* tulip to study it. The confused botanist, after being dragged by the collar to the local courthouse, found himself in prison until he could raise money to cover the owner's loss.

To accommodate the lively market for tulips, by 1636 several exchanges were established where buyers and sellers could acquire futures contracts (a promise to buy or sell a **specified** amount at a preset price). By buying and trading such contracts, tulip traders sought to profit from the fluctuation in tulip prices and grow instantly rich. The availability of easy credit and loans also facilitated buying. Similar to the "day-traders" during the dot-com craze of the late 1990s, who quit their jobs, borrowed money, and used their personal computers to trade volatile Internet and technology stocks, people converted their houses and land into cash in order to invest in the flowers. In small towns, taverns served as the local tulip **commodity** exchange.

But it was not to last. According to Mackay, once ordinary people bought tulips to sell for profit and not for planting in rich people's gardens, the price was bound to drop as the foolishness of it all became apparent. In late 1636, prices peaked and fell sharply. Sellers panicked and sold at any price, buyers defaulted on their futures contracts, and the easy credit that buyers could count on to fund their purchases dried up. Those who got out early ended up quietly rich, but many who believed themselves instantly rich were ruined. Mackay says commerce "suffered a severe shock," and took many years to recover.

Mackay's famous account serves as a warning to all those who speculate in stocks, real **estate**, or **commodities**. As investment brochures routinely say, "Past performance is no guarantee of future returns." But did Mackay exaggerate? Was this really an extraordinary delusion and an example of the irrationality of crowds? Or was he too anxious to find another instance of what he called "the great and awful book of human folly"? Did the 17th century speculation in tulips really do long-term damage to the country's economic **infrastructure**?

Recent writers and researchers have raised doubts about the scope of this bubble and believe a more **accurate** history of the period better clarifies the reasons it occurred. In his book *Tulipomania* (1999), Mike Dash agrees the Dutch tulip market was a speculative bubble driven by inexperienced investors. But he also reveals why rational people might have become caught up in it. The flowers had unique color patterns much in demand for their beauty, but each new variety had to be propagated from a single bulb which could only produce two bulbs in the next year, four after that, and so on. When the available quantity was small, naturally the **underlying** value of a single bulb increased. The more abundant varieties sold cheaply by the pound. To complicate matters, the gorgeous markings on the most striking bulbs were actually the result of a virus. That made them sickly and difficult to propagate. This biologically-determined rarity added to their value and kept prices higher than would **normally** be expected. Until 1634 or so, tulip prices behaved **normally**, with rare, slowly propagating varieties more expensive than the plentiful varieties.

But how do we explain the 20-fold increase in price before the 1636–37 crash? Isn't such an increase a sure sign of speculative madness? Researchers point out that Mackay's account leaves out mention of two events that may account for some of this fluctuation. In 1636–37, the bubonic plague[1] struck the Netherlands, an event that must have had some effect on the collapsing prices of a luxurious **commodity**. Mackay also neglects to mention the Thirty Years War in Europe. According to Thompson and Treussard of the University of California at Los Angeles, this devastating conflict played havoc with tulip demand. In the early 1630s, after stabilizing victories, tulip sales rose in

[1] *plague*: an epidemic disease transmitted by flea bites and usually spread by rats

Germany, where they grew well, but the tides of war changed in 1636. Sales in Germany dropped, and gardens were literally dug up to sell the bulbs to raise cash.

Thompson and Treussard place much of the blame on government policies. As the market fell due to plague and war, the government allowed speculators to convert their futures contracts from an "obligation" to buy into an "option" to buy. In effect, sellers could not force buyers to honor their contracts. Without futures contracts to protect themselves against price drops, holding tulips became riskier and the price dropped accordingly. Thompson and Treussard caution against the "popular delusion" conclusion of Mackay and say "tulipomania" was actually an example of how market forces efficiently react to sudden changes in the prospects for profit and loss. Dash's book also makes it evident that, like the relatively mild recession[2] following the burst of the dot-com bubble, tulipomania's economic impact was minor since only a fraction of the economy was devoted to tulip trading, with the Amsterdam exchange and others wanting no part of it.

Not all observers are willing to **dispose** of Mackay so readily. Kim Phillips-Fein, an **ideologically** motivated critic of market-based economies writing at the height of the dot-com bubble, complains that "**trendy** academics like to say that the tulip craze wasn't a bubble at all." Favoring market-driven economies, these researchers too easily dismiss the dangers of what she feared was a forthcoming economic disaster in western economies. Meanwhile, "contrarian"[3] investors will most likely continue to use the tulip history to warn investors against a "herd mentality" that encourages people to buy overpriced stocks. And professional investors and financial analysts will point to tulipomania as a warning of what happens when amateurs make their own investment decisions.

Without a clear, agreed-upon chronology of events that led to the stunning rise and fall of tulip prices, we may never know the causes with any certainty, and any explanation may reveal more about the researcher's **ideological** bias than it does about Dutch life in 1636. Was tulipomania an example of mass hysteria and human foolishness? Was it an early indictment of market-driven economies? Is it a textbook example of how markets correct themselves, and a warning to governments not to interfere lest they **compound** the problem? Or is it simply a blip in history—where greed, fear, opportunity, a love for beautiful things, and bad luck converged to produce an improbable outcome?

Are there modern parallels? Tulips seem reasonably priced today, but what about star athletes? In the 1990s, the Chicago Bulls professional basketball team paid Michael Jordan tens of millions of dollars each year to play. Risky? Yes. But Jordan brought them six championships. In the 2010–2011 season, 25 players in the National Basketball Association earned $15,000,000 (U.S.) or more per season. Only one, Dirk Nowitzki of the Dallas Mavericks, played for a championship team. "Hoopimania," perhaps? ■

[2] *recession:* a period of time when the economic activity of a region is declining
[3] *contrarian:* tending to take an opposing attitude or position

Reading Comprehension

Mark each sentence as *T* (true) or *F* (false) according to the information in Reading 2. Use the dictionary to help you understand new words.

___ 1. Tulips are native to the Netherlands.

___ 2. Buying tulips was one way to show off one's wealth.

___ 3. The reading implies that tulip trading proved profitable for many people.

___ 4. Tulip trading was so hysterical that we must conclude that it seriously damaged the infrastructure of Amsterdam.

___ 5. The reading suggests that ideology plays a part in the conclusions that scholars draw about tulipomania.

REVIEW A SKILL Uses of the Present Tense (See p. 43)

In Unit 3, we saw special situations where we can use the present tense to describe past events. We can also use the present tense to report what writers wrote in the past. Here is an example: "Mackay *enlivens* his account with amusing anecdotes." Search through "Tulipomania" for more examples.

READING SKILL Summarizing and Reporting

LEARN

A summary reports the ideas of another writer and should clearly indicate this source. The phrase "according to ..." is frequently used, but writers also employ a large inventory of reporting verbs with many shades of meaning. These verbs fall into two general categories.

Verbs Indicating Neutrality

This writer does not indicate agreement or disagreement with Mackay:

Charles Mackay ***says*** *commerce "suffered a severe shock. . . ."*

argues	believes	explains	says (that)	suspects
asserts	claims	maintains	states	thinks
assumes	complains	reports	suggests	

Verbs Indicating Agreement

This writer agrees that the researchers are stating a fact:

Researchers ***point out*** *that Mackay's account leaves out mention of two events. . . .*

acknowledges	discovers	is aware that	points out (that)	reveals
admits	establishes	knows	proves	shows
discloses	indicates	notices	realizes	

A. Many readings in this book report another author's ideas. Write *N* if the reading remains neutral toward the reported (underlined) idea. Write *A* if the reading shows agreement. (Note: item 6 uses an expression not included in the box above.)

___ 1. Kim Phillips-Fein complains that "trendy academics like to say that the tulip craze wasn't a bubble at all."

___ 2. In fact, Bramble and Lieberman maintain that decades of research indicates that humans are very good runners indeed.

___ 3. Hunt points out that by the time detailed observations were made in the 19th century, the culture was virtually dead.

___ 4. Hunt and Lipo suggest the paths were built at different times by different groups of people.

___ 5. Hunt and Lipo suspect that stories of cannibalism could have been fabricated by the Europeans who arrived in 1864.

___ 6. Dash's book also makes it evident that, like the relatively mild recession following the burst of the dot-com bubble, tulipomania's economic impact was minor.

APPLY

A. **The first six paragraphs of Reading 1 offer a lengthy summary of a chapter in Charles Mackay's book *Extraordinary Popular Delusions and the Madness of Crowds*. The article also has shorter summaries of the work of other writers. Scan the article to find them.**

1. Line numbers: ____________________

   Whose work is being summarized? ____________________

   What are the main points of the summary? ____________________

   ____

2. Line numbers: ____________________

   Whose work is being summarized? ____________________

   What are the main points of the summary? ____________________

Vocabulary Activities

Noun	Verb	Adjective	Adverb
accuracy	________	accurate inaccurate	accurately
compound	compound	compound	________
denotation	denote	________	________
disposal disposition	dispose of	disposed (to doing sth)	________
ideology	________	ideological	ideologically
specifics specification	specify	specific specified	specifically
________	underlie	underlying	________

A. **Fill in the blanks with a target word from the chart that completes the sentence in a grammatical and meaningful way.**

1. A futures contract is a promise to buy or sell a certain asset or commodity at a fixed date in the future, at a ____________ price.
2. People buy or sell futures contracts to protect themselves from changes in the market price. Producers want protection because, if the price drops, they might be forced to ____________ of great quantities of the commodity at too low a price.

3. Likewise, consumers who will need large quantities of the commodity at a later date want protection if the _______________ value of that commodity rises greatly.
4. Speculators think that they can profit from trading futures contracts if they can _______________ predict the price of a commodity at a future date.
5. It is easy for critics who are _______________ opposed to this type of investing to find fault with the short-term thinking of speculators. They argue that a government agency should determine a fair price.
6. Defenders of free markets argue that governments, if they interfere too much with pricing, may actually _______________ the problems that producers and consumers face.

B. **Which meaning of the word *compound* is expressed in each sentence? Match the sentence on the left with the definition on the right. Compare answers with a partner.**

___ 1. The lesson today covered how to punctuate compound sentences.	a. to engage in actions that make something worse
___ 2. After getting her fourth traffic ticket, she compounded her legal problems by forgetting to pay the fine.	b. to pay interest on both money invested and the accumulated interest
___ 3. To calculate how many years of compounding it will take for your investment to double in value, divide the interest rate into 72. With six percent interest, it will take 12 years.	c. containing two or more parts or elements (usually technical)
___ 4. Many plants, such as bean plants, have compound leaves.	d. two or more things joined or combined

In analyzing words that have rich psychological and emotional meanings, teachers often make a distinction between *denotation* (the dictionary meaning of the word) and *connotation* (what the word symbolizes or "evokes").

In common usage, expect to hear people use the words *denote, symbolize, stand for, signify,* or *represent* to indicate symbolic meanings or connotations. For example,

In many cultures, displaying the palm of the right hand ***denotes*** *friendship or lack of aggression.*

C. **In a small group, discuss possible symbolic meanings that each word or phrase could have in a poem or song. In your answers, practice using the words *denote, symbolize, stand for, signify,* or *represent.***

1. a dove

   In many cultures, a dove is a bird that symbolizes peace.

2. autumn leaves
3. a raven
4. a deep, cold lake
5. a bright yellow tulip
6. a single wolf hunting in winter
7. a distant mountain

Collocations Chart

Verb	Adjective	Noun	Prepositional Phrase
________	positive, negative, healthy, bad	*attitude*	to / toward sth
compound	________	problem, difficulty, error, effect, interest, dividends	________
dispose of	________	waste, objections	________
file	________	complaint, report, claim, lawsuit, tax return, application, documents, papers	________
conform to, deviate from, depart from	established, accepted, cultural, social, ethical	(the) *norm*(s)	of society, behavior, family life
________	*specific*	example, information, issue, question, problem, reason, course of action, area, time	________
________	*underlying*	message, theme, problem, cause, difference, factor, patterns, assumption, trend	________

D. **The chart above shows some common collocations, or word partners, for selected target vocabulary. Refer to the chart and complete these sentences.**

1. The professor asked us to analyze the ________________ themes in the story.
2. The teacher instilled a positive ________________ toward literature in her students.
3. They ________________ a complaint with the Commodities Futures Trading Commission for misconduct.
4. All of the objections to the plan were ________________ quickly.

5. The operations committee outlined a ________________ course of action to address the falling stock price.
6. Efforts to control the flow of traffic through the city only served to ________________ the problem.
7. All members are expected to conform to established ________________ of ethical behavior.

E. Write a group story:

Each student in a small group is assigned one set of words from the box. On a loose piece of paper, write the first line of a story featuring a word from your set of words.

1. Pass your paper to the left and receive a paper from the right.
2. Using another word from your set, continue the story you just received.
3. Continue this process until you have added to every story.
   Read the stories aloud.

1	2	3	4
confer	fundamental	manipulate	prime
transmit	category	dimension	likewise
entity	minimum	plus	unify
accurate	compound	estate	infrastructure
norm	trend	commodity	dispose
intrinsically	project	refinement	theory
cyclical	stabilize	accuracy	security

5	6	7	8
diminish	incorporate	physical	refine
likewise	philosophy	stable	concurrent(ly)
cycle	identical	parameter	principal
specify	attitude	denote	file
ideology	secure	underlie	foundation
theorize	stressful	categorize	dimensional
trendy	inaccurate	conference	stability