



**Indiana's Academic Standards
Social Studies: Economics
and
Business and Marketing: Global Economic**

What Citizens Need to Know About Economics

addresses Indiana's Academic Standards for the economics component of the social studies curriculum grades 9-12 and the global economics component of the business and marketing curriculum grade 12.



Social Studies: Economics

This course examines the allocation of scarce resources and the economic reasoning used by people as consumers, producers, savers, investors, workers, voters, and as government agencies. Key elements include the study of scarcity, supply and demand, market structures, the role of government, national income determination, money and the role of financial institutions, economic stabilization, and trade.

At the high school level, the Indiana Academic Standards for social studies provide Standards for specific courses that focus on one of the five content areas that make up the core of the social studies curriculum: history; civics and government; geography; economics; and individuals, society, and culture (psychology, sociology, and anthropology). One of these content areas is the major focus of the course while the other areas play supporting roles or become completely integrated into the course content. Each high school course continues to develop skills for thinking, inquiry and research, and participation in a democratic society.

Standard 1

Scarcity and Economic Reasoning

Students will understand that productive resources are limited; therefore, people cannot have all the goods and services they want. As a result, they must choose some things and give up others.

E.1.1 Define each of the productive resources (natural, human, capital) and explain why they are necessary for the production of goods and services. (Geography)

- Chapter 2 identifies the factors of production (productive resources) as land, labor, capital and management. A graphic is included to illustrate how the factors of production interact to produce goods and services. Web links provide current information on the availability of factors of production in the United States.

E.1.2 Explain how consumers and producers confront the condition of scarcity, by making choices which involve opportunity costs, and tradeoffs.

- *Chapter 2 defines the terms scarcity and opportunity costs and explains how producers and consumers must make choices in determining what to produce or purchase. Links to related articles and Web sites are included for further research.*
- *Chapter 4 describes the choices consumers must make in determining what to purchase. The impact this has on the producer is also discussed and illustrated with a graphic. Key concepts and terms, such as caveat emptor and diminishing utility are defined. Factors that influence consumer choices, such as advertisements, are explored. Links to related articles and Web sites are included for more information.*
- *Chapter 7 explains how producers confront the conditions of scarcity. Key concepts like diminishing returns and marginal costs are explored. The role of the entrepreneur to take risks and organize the factors of production is discussed and successful entrepreneurs are highlighted. Links to related articles and Web sites include biographies of famous entrepreneurs, such as Ray Kroc, the founder of McDonald's, and Bill Gates, the founder of Microsoft.*

E.1.3 Identify and explain the broad economic and social goals, such as freedom, efficiency, equity, security, growth, price stability, and full employment. (Civics and Government)

- *Chapter 3 explains the broad goals of economics, such as freedom, efficiency, equity, security, growth, price stability and employment. The ways different economic systems address these issues are compared and examples are cited. A comparison of capitalism, socialism and communism is also included. Links to related articles and Web sites provide biographies of influential economic philosophers, such as Adam Smith and Karl Marx, and the complete texts of their most important works.*
- *Chapter 12 discusses the broad economic goals of government policies, such as equity, security, growth and employment. The role of government agencies to formulate and enforce economic policies is explored and Web links are included to various government regulatory agencies, such as the Equal Employment Opportunity Commission and the Federal Trade Commission.*
- *Chapter 15 explores issues associated with the goal of economic growth. Factors that contribute to economic growth, such as technology and abundant natural resources, are identified. Problems associated with economic growth, like pollution, are highlighted and links to related articles and Web sites are available for further research.*
- *Chapter 17 identifies the broad goals of economic policy in the context of stabilizing the economy. The use of fiscal and monetary policy tools to maintain price stability and economic stability are explored. Key concepts and terms like deficit financing and open market operations are defined. The debate between Keynesian and supply side economists is discussed. Links to related articles and Web sites identify current fiscal and monetary policy decisions and present opposing views of the best way to stabilize the economy.*

E.1.4 Describe how people respond predictably to positive and negative incentives.

- *Chapter 4 identifies how consumers respond to positive and negative incentives in making choices on what to purchase. Key concepts and terms, such as caveat emptor and diminishing utility, are defined. Web links to consumer protection sites are provided.*
- *Chapter 7 describes incentives, such as property rights and profit, which encourage entrepreneurs to take the risks associated with organizing the factors of production to provide goods and services. Successful entrepreneurs are highlighted and biographies are available to such entrepreneurs as Ray Kroc, the founder of McDonald's, and Bill Gates, the founder of Microsoft.*

E.1.5 Predict how interest rates will act as an incentive for savers and borrowers.

- *Chapter 11 describes how the Federal Reserve System adjusts the interest rates it charges to member banks and how rates impact savers and borrowers. Web links to all branches of the Federal Reserve System are provided for further research.*
- *Chapter 17 describes how interest rates are adjusted to influence households and businesses to save or borrow in efforts to stabilize the economy. Web links are available to the Federal Reserve System for current information on interest rates and monetary policy.*

E.1.6 Recognize that voluntary exchange occurs when all participating parties expect to gain.

- *Chapter 3 describes Adam Smith's concept of an "invisible hand" that guides the marketplace, which posits that individuals acting in their own self-interest interact in voluntary exchanges that benefit all participants. Web links are available to biographies of Adam Smith and other economic philosophers and the complete texts of their most influential works, including the Wealth of Nations.*

E.1.7 Compare and contrast how the various economic systems (traditional, market, command, mixed) answer the questions: What to produce? How to produce it? And for whom to produce?

- *Chapter 2 explains how economics addresses the questions: What to produce? How to produce it? And for whom to produce? Graphics are included to illustrate how these questions interact and links to related articles and Web sites are available for further research.*

- Chapter 3 describes how various economic systems attempt to answer these questions. A detailed comparison and contrast of traditional, market, command and mixed economies is provided. A comparison of capitalism, socialism and communism is also highlighted and examples of each are included. Biographies of influential philosophers and the complete texts of their most important works are available.

E.1.8 Describe how clearly defined and enforced property rights are essential to a market economy. (Civics and Government)

- Chapter 3 describes the importance of property rights in a capitalist system. The role of property rights in a socialist and communist system is compared to that of the capitalist system. Web links are available to biographies of influential philosophers, such as Adam Smith and Karl Marx, and the complete texts of their most important works.

- Chapter 7 identifies property rights as an important incentive in a market economy that encourages entrepreneurs to take risks associated with organizing the factors of production. Web links include biographies of successful entrepreneurs like Ray Kroc, the founder of McDonalds, and Bill Gates, the founder of Microsoft.

E.1.9 Use a production possibilities curve to explain the concepts of choice, scarcity, opportunity cost, tradeoffs, unemployment, productivity, and growth.

- Chapter 2 illustrates the production possibilities curve as it relates to scarcity and opportunity cost. A graphic of the production possibilities curve is included to illustrate the options and tradeoffs associated with economic choices. Links to related articles and Web sites are available for further research.

E.1.10 Use a decision-making model to analyze a public policy issue affecting the student's community. (Civics and Government)

- Chapter 12 explains how government bureaucrats use cost/benefit ratios to assess the success of government programs while formulating the national budget. Concepts like externalities are discussed. Web links are included to various government agencies involved in the budget process, such as the Office of Management and Budget and the Congressional Budget Office. An activity for this chapter in the Educator's Guide recommends students work in groups to recreate the decision-making process involved in formulating the national budget.

- Links to related articles and Web sites in every chapter identify current public policy issues associated with the topics in the respective chapters. Some of these issues directly affect the student's community. For example, links are included in Chapter 12 to all state and local government Web sites for information on local and state public policy issues.

E.1.11 Formulate a savings or financial investment plan for a future goal.

- Chapter 6 describes the importance of maintaining proper credit. A suggested activity in the Educator's Guide for this chapter involves creating a budget for a future goal. A graphic of a household budget is included in the chapter and can be used as a worksheet to formulate a personal investment plan.

Standard 2

Supply and Demand

Students will understand the role that supply and demand, prices, and profits play in determining production and distribution in a market economy.

E.2.1 Define supply and demand.

E.2.2 Identify factors that cause changes in market supply and demand.

E.2.3 Describe the role of buyers and sellers in determining the equilibrium price.

E.2.4 Describe how prices send signals to buyers and sellers.

- Chapter 8 defines the laws of supply and demand and explains how buyers and sellers interact to determine the equilibrium price. The impact of prices on supply and demand is also discussed. Graphics are provided throughout the chapter to help illustrate these concepts and links to related articles and Web sites are included for more information and specific examples.

E.2.5 Recognize that consumers ultimately determine what is produced in a market economy (consumer sovereignty).

- Chapter 4 describes the role of the consumer in determining what is produced in the marketplace. A graphic is included to illustrate this concept and terms, such as caveat emptor and diminishing utility, are defined. Links to consumer protection Web sites run by the government and consumer watchdog groups are available for further research.

E.2.6 Explain the function of profit in a market economy as an incentive for entrepreneurs to accept the risks of business failure.

- Chapter 7 discusses the role of the entrepreneur in a market economy. Incentives, such as profit and property rights, are identified. Web links are available to biographies of influential American entrepreneurs, such as Ray Kroc, the founder of McDonald's, and Bill Gates, the founder of Microsoft.

E.2.7 Demonstrate how supply and demand determine equilibrium price and quantity in the product, resource, and financial markets.

E.2.8 Demonstrate how changes in supply and demand influence equilibrium price and quantity in the product, resource, and financial markets.

E.2.9 Analyze how changes in the price of certain goods, such as gasoline, impact the lives of people in the community. (Civics and Government; Individuals, Society, and Culture)

- Chapter 8 explores issues associated with the laws of supply and demand. Concepts like equilibrium price are defined and factors that cause changes in the markets are discussed. Graphics are provided to help illustrate these concepts. The impact of rising energy costs on individuals and the economy as a whole is cited as an example and links to related articles and Web sites include more information and statistics on the impact of gasoline prices and other goods and services.

E.2.10 Demonstrate how government wage and price controls, such as rent controls and minimum wage laws, create shortages and surpluses. (Civics and Government)

- Chapter 10 explains how minimum wage laws impact the laws of supply and demand with regard to employment. The concept of a living wage is discussed and links to related articles and Web sites include more information and opposing views on the impact of minimum wage laws.

- Chapter 21 describes how the government uses price controls to manipulate the laws of supply and demand, in the context of aiding American farmers. Different types of price controls, such as price floors and price ceilings, are identified. The impact of price controls on the consumer and foreign markets is discussed. Links to related articles and Web sites include opposing views on the necessity and fairness of price controls.

E.2.11 Use concepts of price elasticity of demand and supply to explain and predict changes in quantity as price changes.

- Chapter 8 describes the concept of elasticity of demand and supply. Graphics are provided to better illustrate this concept. The effect of the change in price for a breakfast on the quantity sold is cited as an example. Links to related articles and Web sites include other examples.

E.2.12 Illustrate how investment in factories, machinery, new technology, and the health, education, and training of people increases productivity and raises future standards of living. (Individuals, Society, and Culture)

- Chapter 15 identifies factors that contribute to economic growth and increased productivity. The importance of new technology and investments in factories and machinery are discussed and concepts, such as accelerator effect and multiplier effect, are defined and illustrated with graphics. Links to related articles and Web sites are available for more information and specific examples.

- *Chapter 24 explains how investments in factories, machinery, new technology, and the health, education and training of people increases productivity and raises future standards of living in the context of economic development. The plight of developing countries is discussed and the responsibilities of developed countries to assist developing countries are debated. Web links are included to aid organizations, such as the U.S. Agency for International Development and the Grameen Bank.*

E.2.13 Explain how financial markets, such as the stock market, channel funds from savers to investors.

- *Chapter 7 examines the role of financial markets, such as the stock market and commodity exchanges, to channel funds from savers to investors. The impact of investment on businesses is discussed and illustrated with a graphic. Web links are included to major stock and commodity exchanges around the world, such as the New York Stock Exchange, the London Stock Exchange, the Tokyo Stock Exchange and the Chicago Mercantile Exchange.*

Standard 3

Market Structures

Students will understand the organization and role of business firms and analyze the various types of market structures in the United States economy.

E.3.1 Compare and contrast the following forms of business organization: sole proprietorship, partnership, and corporation.

E.3.2 Identify the three basic ways that firms finance operations (retained earnings, stock issues, and borrowing), and explain the advantages and disadvantages of each.

- *Chapter 7 describes the role of business in the economic system. Different forms of business organizations—sole proprietorships, partnerships and corporations—are compared. The ways that firms finance operations are also discussed and the role of the stock market in providing investment capital to corporations is explained and illustrated with a graphic. Web links are included to stock exchanges around the world, including the New York Stock Exchange, the London Stock Exchange and the Tokyo Stock Exchange.*

E.3.3 Recognize that economic institutions, such as labor unions, non-profit organizations, and cooperatives evolve in market economies to help individuals accomplish their goals. (Civics and Government; Individuals, Society, and Culture)

- *Chapter 7 discusses the role of nonprofit organizations and cooperatives in market economies. Examples of each are cited and Web links are included to leading nonprofit organizations in the United States, such as the National Association of Manufacturers and the American Red Cross. Links to related articles and Web sites include more information on cooperatives and nonprofit organizations.*
- *Chapter 10 explores the role of labor unions in the economic system. A history of Labor in America is provided. Tools of labor organizations like collective bargaining and strikes are identified. The role of the government in the labor dispute process is discussed and links are included to the complete texts of important government legislation, such as the National Labor Relations Act and the Taft-Hartley Act. Web links are also available to major labor organizations, such as the Teamsters and the AFL-CIO.*

- E.3.4 Identify the basic characteristics of the four market structures: monopoly, oligopoly, monopolistic competition, and pure competition.
- E.3.5 Explain how competition among many sellers lowers costs and prices and encourages producers to produce more.
- E.3.6 Demonstrate how firms determine price and output through marginal analysis.
- E.3.7 Explain ways that firms engage in price and non-price competition.
- E.3.8 Identify laws and regulations adopted in the United States to promote competition among firms. (Civics and Government)
- E.3.9 Describe the benefits of natural monopolies (economies of scale) and the purposes of government regulation of these monopolies, such as utilities. (Civics and Government)

- *Chapter 7 explains how firms must weigh the marginal cost against the marginal benefit of a product to determine the ideal price and output. Key concepts and terms, such as diminishing returns, are defined. Links to related articles and Web sites are included for further research.*
- *Chapter 9 examines issues associated with competition in the marketplace. The terms monopoly, oligopoly and pure competition are defined and ways that firms engage in price and non-price competition are discussed. The impact of competition on costs and prices is explored and the purposes of government regulations are explained. Links are available to the complete texts of influential government legislation, such as the Sherman Antitrust Act and the Robinson-Patman Act.*
- *Chapter 21 defines the term economies of scale and relates it to the American agriculture sector of the economy. The impact of competition on American agricultural production is discussed and links to related articles and Web sites are included for further research.*

- E.3.10 Explain how cartels affect product price and output.

- Chapter 22 explains how cartels affect product price and output in the context of foreign trade. The term cartel is defined and the Organization of Petroleum Exporting Countries (OPEC) is cited as an example. The 1970s U.S. oil crisis caused by the OPEC embargo is discussed. A link is included to OPEC's Web site for more information on its structure and role in the global economy.

E.3.11 Describe how the earnings of workers are determined by the market value of the product produced and workers' productivity.

- Chapter 10 explores issues associated with the labor market. The concept of how the laws of supply and demand influence workers' pay is discussed, as is the importance of developing proper job skills. Web sites to government agencies that are involved in career training and career placement are included for more information.

Standard 4

The Role of Government

The student will understand the roles of government in a market economy are allocation of resources, redistribution of income, protection of property rights, and resolution of market failures.

E.4.1 Explain the basic functions of government in a market economy. (Civics and Government)

- Chapter 12 explains the basic functions of government in a market economy, citing the U.S. government as an example. The different economic roles and responsibilities of federal, state and local governments are discussed and links are included to all state and local government Web sites. Web links are also available to various federal government agencies, such as the Securities and Exchange Commission and the Congressional Budget Office.

E.4.2 Explain how government responds to market failures by providing public goods and services. (Civics and Government)

- Chapter 1 describes the differences between the public and private sector of the economy and explains how the government provides goods and services that the private sector is unwilling or unable to offer. Collaboration between the private and public sectors is explored and links to related articles and Web sites include specific examples.

E.4.3 Describe major revenue and expenditure categories and their respective proportions of local, state, and federal budgets. (Civics and Government)

- Chapter 12 describes the roles of the local, state and federal government in the economic system. Major revenue and expenditure categories at the state and local levels are identified and graphics are included to illustrate the percentages of revenue and expenditure categories in state and local budgets. The federal budget-making process is discussed and Web links are provided to all state and local governments and important federal agencies, such as the Office of Management and Budget and the Congressional Budget Office.

- E.4.4 Explore the ways that tax revenue is used in the community. (Civics and Government)
- E.4.5 Identify taxes paid by students. (Civics and Government)
- E.4.6 Define progressive, proportional, and regressive taxation. (Civics and Government)
- E.4.7 Determine whether different types of taxes (including income, sales, and social security) are progressive, proportional, or regressive. (Civics and Government)

- Chapter 13 explains the way tax revenues are used in the community and the nation as a whole. Definitions of progressive, proportional and regressive taxation are included and examples of each are cited. The concept of a fair tax is discussed and Web links to organizations that advocate tax reform and a link to the Internal Revenue Service are available for comparative purposes. Taxes paid by students, such as sales taxes and license taxes, are identified. An activity for this chapter in the Educator's Guide suggests students identify taxes they and their families pay and share their findings with the class.

- E.4.8 Describe how costs of government policies may exceed benefits, because social or political goals other than economic efficiency are being pursued. (Civics and Government)

- Chapter 12 discusses the federal budget-making process and explains how bureaucrats use cost/benefit ratios to determine what social programs to fund. Concepts, such as externalities, are explored. Links to related articles and Web sites include opposing views of the efficiency of government programs.
- Chapter 20 describes how the federal government distributes federal subsidies to help the unemployed, elderly, minorities and other disadvantaged people in the society. The politics of these policies is discussed and links to related articles and Web sites present opposing views of federal subsidy programs. Web links are available to government agencies that oversee such programs as Social Security, Medicare, Medicaid and Head Start.

- E.4.9 Predict possible future effects of the national debt on the individual and the economy. (Civics and Government)
- E.4.10 Predict how changes in federal spending and taxation would affect budget deficits and surpluses and the national debt. (Civics and Government)

- *Chapter 6 describes the impact of the national debt on individuals and the economy as a whole. Key concepts and terms, such as debt and bankruptcy, are defined. Links to related articles and Web sites are included for further research.*
- *Chapter 12 discusses the federal budget-making process. Key concepts and terms, such as deficit financing and mandatory spending, are defined. The impact of the national debt on individuals and the economy as a whole is explained. Web links are provided to government agencies involved in the budget-making process, including the Office of Management and Budget and the Congressional Budget Office.*
- *Chapter 17 examines how the federal government stabilizes the economy using monetary and fiscal policies. The impact of taxation and spending policies is discussed, as is the impact of fiscal policy on the national debt. The debate between supply-side and Keynesian economists is also mentioned. Links to related articles and Web sites provide current information on U.S. monetary and fiscal policy decisions.*

Standard 5

National Economic Performance

Students will understand the means by which economic performance is measured.

- E.5.1 Define aggregate supply and demand, Gross Domestic Product (GDP), economic growth, unemployment, and inflation.
- E.5.2 Explain how Gross Domestic Product (GDP), economic growth, unemployment, and inflation are calculated.
- E.5.3 Explain the limitations of using GDP to measure economic welfare.

- *Chapter 1 explains how economic indicators, such as gross domestic product (GDP) and employment rates, are calculated. Graphics are included for all economic indicators to illustrate trends over long periods of time. Links to related articles and Web sites include current information on all economic indicators and assessments of their impact on the economy.*
- *Chapter 5 describes how the consumer price index (CPI) calculates inflation or deflation. The impact of inflation on individuals and the economy as a whole is explored and illustrated with a graphic. Links to related articles and Web sites include current CPI data and examinations of CPI's impact on individuals and the economy.*
- *Chapter 14 defines gross domestic product (GDP) and explains how it is calculated. The accuracy of GDP is debated and alternatives, such as the human development index (HDI), are presented. Links to related articles and Web sites include current GDP and HDI statistics.*
- *Chapter 15 explores economic growth. Factors that determine economic growth are described and problems associated with growth are addressed. Key concepts and terms like aggregate demand and aggregate supply are defined. The impact of unemployment and inflation on economic growth is discussed. Links to related articles and Web sites are available for further research.*

- Chapter 19 explains how unemployment is calculated. Key concepts and terms, such as structural unemployment and displaced workers, are defined. The impact of unemployment on individuals and the economy is discussed and factors that lead to unemployment are identified. Links to related articles and Web sites include current unemployment statistics.

- E.5.4 Explain the four phases of the business cycle.
- E.5.5 Analyze the impact of events in United States history, such as wars and technological developments on business cycles. (History)
- E.5.6 Identify the different causes of inflation, and explain who gains and loses because of inflation.
- E.5.7 Analyze the impact of inflation on students' economic decisions.

- Chapter 5 explores the causes of inflation and the impact on individual households. Graphics are included to illustrate the impact of inflation on household economic decisions. The use of the consumer price index (CPI) to calculate inflation or deflation is discussed. Web links include current CPI statistics and a program that uses CPI to compare the value of the U.S. dollar during different time periods in U.S. history. An activity for this chapter in the Educator's Guide suggests students research the costs of goods and services they purchase and compare those costs to the costs of the same goods and services during their parents era.

- Chapter 16 explains the four phases of the business cycle. A graphic is included to illustrate fluctuations in the business cycle and concepts, such as recession, depression and inflation, are defined. The impact of events in United States history, such as the September 11, 2001, terrorist attacks, on the business cycle is explored. An oral history of the Great Depression is included to demonstrate how the business cycle impacts individuals. The different causes of inflation are examined and individuals who gain and lose because of inflation are identified. Links to related articles and Web sites explore in more detail the impact of inflation on individual economic decisions.

- E.5.8 Recognize that a country's overall level of income, employment, and prices are determined by the individual spending and production decisions of households, firms, and government. (Civics and Government; Individuals, Society, and Culture)

- Chapter 1 describes the factors that impact the overall level of performance of the economy. Web links to governmental agencies provide the most current statistics on the state of the economy including national income and employment trends.

- Chapter 15 identifies factors that contribute to economic growth including income levels and spending and production decisions by households, firms and government. Key concepts and terms, such as accelerator effect and multiplier effect, are defined. Links to related articles and Web sites are included for further research.

E.5.9 Illustrate and explain how the relationship between aggregate supply and aggregate demand is an important determinant of the levels of unemployment and inflation in an economy.

- Chapter 15 defines the terms aggregate supply and aggregate demand, and explains how they are important determinants of the state of the economy. Links to related articles and Web sites are provided for more information.

E.5.10 Analyze the unemployment rate in the community.

E.5.11 Propose solutions for addressing issues of unemployment in the community.
(Civics and Government)

- Chapter 19 explores issues associated with unemployment. The impact of unemployment at the federal, state and local levels are explored and Web links are included to unemployment statistics for the nation, state and local regions. Key concepts and terms, such as displaced workers and structural unemployment, are defined. An activity for this chapter in the Educator's Guide involves researching the local unemployment situation and proposing solutions for improving the rate of employment in the community.

Standard 6

Money and the Role of Financial Institutions

Students will understand the role of money and financial institutions in a market economy.

E.6.1 Explain the basic functions of money.

E.6.2 Identify the composition of the money supply of the United States.

E.6.3 Explain the role of banks and other financial institutions in the economy of the United States. (History)

E.6.4 Describe the organization and functions of the Federal Reserve System.

E.6.5 Compare and contrast credit, savings, and investment services available to the consumer from financial institutions.

E.6.6 Demonstrate how banks create money through the principle of fractional reserve banking.

- Chapter 6 compares and contrasts various credit, savings and investment services available from financial institutions. Different type of lending options, such as mortgages, personal loans, loan sharks and payday loans, are explored and the positive and negative aspects of each are discussed. An activity for this chapter in the Educator's Guide involves researching various credit options and determining the best economic choice.

- *Chapter 11 explores issues associated with money and banking. Functions of money are discussed and the composition of the money supply in the United States is identified. The roles, organization and functions of the Federal Reserve System and financial institutions are also presented. Credit savings and investment services of financial institutions are explored and different types of banking institutions are identified. The way banks create money is explained and illustrated with a graphic. Web links to all branches of the Federal Reserve System are available for more information on its roles, functions and organization.*

E.6.7 Research and monitor financial investments, such as stocks, bonds, and mutual funds.

- *Chapter 7 examines issues associated with financial investments. Concepts, such as the stock market, bonds and mutual funds, are defined. Web links are available to major stock exchanges in the United States and around the world, including the American Stock Exchange, the New York Stock Exchange, the National Association of Securities Dealers Automated Quotations (NASDAQ), the London Stock Exchange and the Tokyo Stock Exchange. An activity for this chapter in the Educator's Guide includes investing an imaginary sum of money in the stock market and charting the progress of the investment over a specified period of time.*

E.6.8 Formulate a credit plan for purchasing a major item comparing different interest rates.

- *Chapter 6 identifies issues associated with consumer credit and the importance of maintaining proper credit is stressed. An activity for this chapter in the Educator's Guide suggests students compare interest rates and other fees in credit card disclosure statements to find the best deal.*

Standard 7

Economic Stabilization

Students will understand economic stabilization policies and how they impact the economy.

E.7.1 Define and explain fiscal and monetary policy. (Civics and Government)

E.7.2 Define the tools of fiscal and monetary policy. (Civics and Government)

- *Chapter 17 defines and explains fiscal and monetary policy and identifies the tools of fiscal and monetary policy. Key concepts and terms, such as open market operations and deficit financing, are defined. The debate between Keynesian and supply-side economists is explored. Links to related articles and Web sites include current information on U.S. monetary and fiscal policy decisions and opposing views on ways to stabilize the economy.*

- E.7.3 Describe the negative impacts of unemployment and unintended inflation on an economy and how individuals and organizations try to protect themselves. (Individuals, Society, and Culture)

- *Chapter 5 examines the impact of inflation on an economy and individuals. Graphics are included to illustrate this concept. The use of the consumer price index (CPI) to calculate inflation is explained and links to related articles and Web sites include current CPI statistics.*
- *Chapter 15 explains how organizations can protect themselves from inflation and other fluctuations in the economy. Key concepts and terms, such as accelerator effect and multiplier effect, are defined. Links to related articles and Web sites are available for further research.*
- *Chapter 16 discusses the impact of inflation and fluctuations in the business cycle on individuals and the economy as a whole. The impact of major events, such as the September 11, 2001, terrorist attacks, on inflation and the business cycle is explored. An oral history of the Great Depression is included to illustrate the impacts of depression on individuals and the economy as a whole. Ways individuals, organizations and society attempted to protect themselves from the negative impacts of inflation, unemployment and depression, are addressed.*
- *Chapter 19 describes the negative impacts of unemployment on individuals and organizations. Ways individuals and organizations try to protect themselves are explained and concepts, such as downsizing and underemployed workers, are defined. Links to related articles and Web sites include current unemployment statistics and identifies ways individuals, organizations and the economy as a whole respond to the current unemployment situation.*

- E.7.4 Illustrate and explain cost-push and demand-pull inflation.

- *Chapter 16 explores the impact of inflation and the business cycle on individuals, businesses and the economy as a whole. Factors that cause inflation are explained and the impact of historical events on inflation is identified. The September 11, 2001, terrorist attacks are cited as an example. Cost-push and demand-pull inflation is discussed and links to related articles and Web sites are included for more information.*

- E.7.5 Explain how monetary policy affects the level of inflation in the economy.
- E.7.6 Analyze how the government uses taxing and spending decisions (fiscal policy) to promote price stability, full employment, and economic growth. (Civics and Government)
- E.7.7 Analyze how the Federal Reserve uses monetary tools to promote price stability, full employment, and economic growth. (Civics and Government)
- E.7.8 Articulate how a change in monetary or fiscal policy can impact a student's purchasing decision.

- Chapter 17 explains how monetary and fiscal policies collaborate to stabilize the economy. The impacts of monetary and fiscal policies on inflation are addressed. Tools of monetary and fiscal policy, such as open market operations and taxing and spending decisions, are identified. The impact of changes in monetary and fiscal policy on individual purchasing decisions (including students) and the economy as a whole are explored. Links to related articles and Web sites include current information on U.S. monetary and fiscal policies and their impact on individuals and the economy.

Standard 8

Trade

Students will understand why individuals, businesses, and governments trade goods and services and how trade affects the economies of the world.

- E.8.1 Explain the benefits of trade among individuals, regions, and countries. (Geography; Individuals, Society, and Culture)
- E.8.2 Define and distinguish between absolute and comparative advantage.
- E.8.3 Define trade barriers, such as quotas and tariffs. (Civics and Government)
- E.8.4 Explain why countries sometimes erect barriers to trade. (Civics and Government)
- E.8.5 Explain the difference between balance of trade and balance of payments.
- E.8.6 Compare and contrast labor productivity trends in the United States and other developed countries.
- E.8.7 Explain how most trade occurs because of a comparative advantage in the production of a particular good or service.
- E.8.8 Explain how changes in exchange rates impact the purchasing power of people in the United States and other countries. (Individuals, Society, and Culture)
- E.8.9 Evaluate the arguments for and against free trade.
- E.8.10 Identify skills individuals need to be successful in the workplace. (Individuals, Society, and Culture)

- Chapter 10 highlights labor issues. The global view of labor organizations is discussed and Web links to major U.S. labor organizations, such as the Teamsters and the AFL-CIO, are provided. Labor productivity trends in the U.S. are identified and links to related Web sites include statistics on foreign labor trends for comparative purposes. Skills needed to be successful in the workplace are described. An activity for this chapter in the Educator's Guide involves researching possible career options and identifying educational and skill requirements, as well as salaries and job prospects.

- Chapter 22 explores issues associated with foreign trade. The benefits of trade are explored and key concepts like comparative advantage and balance of trade are defined. Trade barriers, such as import quotas and tariffs, are identified. The reasons why some countries erect trade barriers and the argument for and against free trade is discussed. Links to related articles and Web sites provide opposing views of the free trade debate. Web links are also available to major international trade organizations, such as the European Union and the North American Free Trade Agreement.

- Chapter 23 examines issues associated with the interdependent global economy. Key concepts, such as the balance of payments and foreign currency exchange, are defined. A Web link to a program that compares and calculates exchange rates for the U.S. dollar and other currencies is available for current information on foreign currency exchange rates.

Business and Marketing: Business Technology Education—Global Economics

Global Economics is a course that provides high school seniors with a basic understanding of their role in the economy. In order to pursue their interests as consumers and producers in domestic and global economies, students will develop an awareness of economic concepts. This course will enable students to understand how the system operates while comprehending their role in the system. Students will deal with public policy, the effect of international economics, micro economics, macro economics, and comparing economic systems and certain economic measures. Instructional strategies may include development of a school-based enterprise, case studies, computer/technology applications, field trips, guest speakers, and job shadowing.

1 Basic Economic Concepts (Scarcity, Choice, and Opportunity Costs)

Standard 1.1

Illustrate the relationship among scarcity, choice and opportunity costs.

Performance Expectations

- 1.1.1 Explain why scarcity requires individuals, governments, and societies (groups; cultures) to make choices
- 1.1.2 Demonstrate understanding of rational economic decision making by explaining the costs and benefits of alternative choices in a given situation
- 1.1.3 Apply the steps in a rational decision-making process to a situation involving an economic decision by an individual, government, business, or society
- 1.1.4 Critique the trade-off among economic growth, national security, efficiency, and personal freedom

- Chapter 2 explains why scarcity requires individuals, governments and societies to make economic choices. The production possibilities curve is described and a graphic is included to illustrate the rational economic decision making process. Key concepts and terms, such as scarcity and opportunity cost, are defined. Links to related articles and Web sites include examples of economic decisions based on costs and benefits of alternative choices.

- *Chapter 3 describes how societies make economic choices caused by scarcity. The different types of economic systems that materialized from different societies making trade-offs among economic growth, national security, efficiency and personal freedom are identified. Examples are given of traditional, command, market and mixed economies and a comparison of capitalism, socialism and communism is provided. Links to related articles and Web sites are included for more information on different economic systems and their interaction in the global economy.*
- *Chapter 4 explores the economic decision process of individuals as consumers. Key concepts and terms, such as caveat emptor and diminishing utility, are defined. The impact of individual consumer decisions on the economy as a whole is described and illustrated with a graphic.*
- *Chapter 7 examines the role of businesses in an economic system. The decision-making process of businesses is explained and the role of the entrepreneur is addressed. Links to related articles and Web sites include biographies of successful entrepreneurs, such as Ray Kroc, the founder of McDonalds, and Bill Gates, the founder of Microsoft.*
- *Chapter 12 discusses the decision-making process of government in the context of the national budget. Key concepts, such as cost/benefit ratios and externalities, are addressed. The budget-making process is described and illustrated with a graphic. Web links are included to various government agencies involved in the budget process, such as the Office of Management and Budget and the Congressional Budget Office.*
- *Chapter 24 examines economic development and explores trade-offs that developing countries must address to allow for economic growth, such as national security, efficiency and personal freedom. Links to related articles and Web sites include opposing views of the ways Third World countries should develop. Web links are also included to international aid agencies like the U.S. Agency for International Development and the Grameen Bank.*

2 Economic Systems (Role of Government; Labor Productivity)

Standard 2.1

Compare and contrast global economic systems.

Performance Expectations

- 2.1.1 Identify questions that must be answered by any economic system (e.g., what is to be produced, how much to produce, how it is to be produced, etc.)
- 2.1.2 Show how economic systems are categorized by how they answer the basic economic questions
- 2.1.3 Explain how economic systems are mixed by how they answer the basic economic questions
- 2.1.4 Evaluate the strengths and weaknesses of alternative economic systems
- 2.1.5 Explain the fundamental role of government in a market economy, a traditional economy, and a command economy

- *Chapter 2 identifies the basic economic questions that economic systems must answer as being: What is to be produced? How much to produce? And, how it is to be produced? A graphic is included to illustrate how these questions interact in economic systems.*
- *Chapter 3 shows how economic systems are categorized and mixed by how they answer basic economic questions. Examples of traditional, command, market and mixed economies are provided and a comparison of capitalism, socialism and communism is included. The fundamental roles of government in these economies are explained. The strengths and weaknesses of various economic systems are debated and links to related articles and Web sites present opposing views of this debate. Important economic philosophers, such as Adam Smith and Karl Marx, are identified and links are available to biographies and the complete texts of their most influential works.*

Standard 2.2

Analyze marketplace structures in economic systems.

Performance Expectations

2.2.1 Define labor productivity and explain the basic factors (education and training, technology, specialization, and comparative advantage) which affect productivity

- *Chapter 7 defines productivity and explains how changes in the factors of production—labor, land, capital and management—affect productivity. The law of diminishing returns is explained and illustrated with a graphic to demonstrate the impact of the factors of production on productivity.*
- *Chapter 10 explains the basic factors that effect labor productivity, such as education and training. An activity for this chapter in the Educator's Guide recommends researching a possible career option and identifying education and training requirements associated with that career, as well as future prospective job opportunities and salaries.*
- *Chapter 22 identifies factors that contribute to productivity and influence foreign trade, such as comparative advantage and specialization. Definitions for those and other terms are provided and links to related articles and Web sites include more information and specific examples.*
- *Chapter 24 explores factors that contribute to economic development and productivity, such as education, training and technology. Key concepts and terms like brain drain, technology and development are defined. The responsibilities of developed countries to assist developing countries increase their productivity and standard of livings are debated. Web links are available to international aid organizations, such as the U.S. Agency for International Development and the Grameen Bank.*

2.2.2 Analyze the relationship between price, supply, and demand

- Chapter 8 explores the relationship between price, supply and demand. The law of supply and the law of demand are defined. Graphics are included throughout the chapter to illustrate how changes in supply or demand impact prices and how prices impact supply and demand. Key concepts and terms, such as equilibrium price and substitute goods, are defined. Links to related articles and Web sites are provided for more information and specific examples.

2.2.3 Demonstrate the efficiency of economic system's decision making through production possibility curves

- Chapter 2 describes the production possibilities curve and explains how it can be used to determine the efficiency of economic decisions. A graphic of the production possibilities curve is included to illustrate this concept. Links to related articles and Web sites are available for further research.
- Chapter 3 identifies various economic systems, such as traditional, command, market and mixed economies. A comparison of capitalism, socialism and communism is also included. Examples of these different economic systems are provided and can be used to evaluate their efficiency using the production possibilities curve in Chapter 2.

2.2.4 Analyze how price, supply, and demand allocate productive resources

- Chapter 8 explains how price, supply and demand allocate productive resources. The laws of supply and demand are defined and graphics are provided throughout the chapter to illustrate the impact of changes in price, supply and demand. Links to related articles and Web sites are included for further research and specific examples.

2.2.5 Describe different types of competitive structures in economic systems

2.2.6 Illustrate the role of competitive markets in economies

2.2.7 Explain the role and effect of labor unions in a given economy

2.2.8 Evaluate how labor unions and businesses have shaped each other and evolved

2.2.9 Form and support an opinion on the influence of monopolies and oligopolies on marketplaces

- Chapter 9 identifies different types of competitive structures in economic systems. Key concepts and terms, such as pure competition, monopoly and oligopoly, are defined. The role of competition in the marketplace is explored and examples are cited. The role of government in regulating competition is addressed and links are included to the complete texts of important government legislation like the Sherman Antitrust Act and the Robinson-Patman Act.

- Chapter 10 examines the role and effect of labor unions in the economy. A history of the labor movement in the United States is included to demonstrate how labor unions and businesses have shaped each other and evolved over time. Key concepts related to labor/management relations, such as arbitration and collective bargaining, are discussed. The role of government in labor/management relations is explored and links are included to important government legislation like the National Labor Relations Act and the Taft-Hartley Act.

2.2.10 Explain the business cycle and the factors that influence it

- Chapter 16 explains the business cycle and identifies factors that influence it. The role of inflation is discussed and concepts, such as recession and depression, are defined. The impact of major events on the business cycle are explained and the September 11, 2001, terrorist attacks are cited as an example. An oral history of the Great Depression is included to illustrate the impact of the business cycle on individuals and the society as a whole. Links to related articles and Web sites identify the current stage of the business cycle and the response of individuals, businesses and government, to the current state of the economy.

2.2.11 Describe and evaluate how businesses are formed, operated, and funded

- Chapter 7 describes how different businesses are formed, operated and funded. Different types of business structures (e.g., sole proprietorships, partnerships, corporations) are identified and compared. The role of the entrepreneur is explained and links to related articles and Web sites include biographies of successful entrepreneurs, such as Ray Kroc, the founder of McDonald's, and Bill Gates, the founder of Microsoft. An activity for this chapter in the Educator's Guide involves interviewing a local entrepreneur in the community and describing how his or her business was formed and how it is operated and funded.

2.2.12 Evaluate and explain how and why governments control businesses and individuals through laws and taxes

- Chapter 12 explores the role of government in an economic system. The reasons and ways government control businesses and individuals through laws, regulations and taxes are explained. Web links are included to various government regulatory agencies that enforce laws and regulations, such as the Environmental Protection Agency and the Occupational Safety and Health Administration.

- Chapter 13 examines the role of government taxation. Different types of taxes—progressive, regressive and proportional—are identified and the reasons for government taxation are explained. A Web link is included to the Internal Revenue Service for current information on U.S. tax policy and links to related articles and Web sites present opposing views on the fairness of the U.S. tax system.

3 World Trade

Standard 3.1

Analyze necessity for global interaction within the different economic systems.

Performance Expectations

- 3.1.1 Demonstrate how all countries are interdependent
- 3.1.2 Explain how specialization promotes international trade and how international trade increases total world output
- 3.1.3 Explain how governments and cartels/syndicates help and influence world trade
- 3.1.4 Compare/contrast absolute advantage versus comparative advantage
- 3.1.5 Identify the components that make up the balance of payments and balance of trade among nations
- 3.1.6 Evaluate the effects of trade agreements among nations (NAFTA, GATT, etc.)
- 3.1.7 Analyze and explain the positives and negatives of Barriers to Trade (Tariffs, Quotas, etc.)

- Chapter 22 explores issues associated with international trade. Key concepts and terms like comparative advantage, balance of trade and specialization are defined. The influence of governments and cartels on world trade is examined. The Organization of Petroleum Exporting Countries (OPEC) is cited as an example of a cartel and a link is included to the organization's Web site. Barriers to trade, such as tariffs and quotas, are explored and the debate between free trade and protectionism is presented. Links to related articles and Web sites present opposing views on the free trade debate. The rise of regional trade associations is explained and Web links are provided to major regional trade associations like the North American Free Trade Agreement and the European Union.

- Chapter 23 explains how all countries are interdependent. The global impact of the U.S. decision in 1971 to abandon the gold standard and the 1997 Asian financial crisis are cited as examples. The concept of balance of payments is explored and its components are described. Key concepts and terms, such as special drawing rights and foreign investment, are defined. Web links are included to various supranational organizations that operate in the global economy like the United Nations, the World Trade Organization and the International Monetary Fund.

4 Money and Banking

Standard 4.1

Explain the role of monetary and fiscal policies in a global economy and how it relates to individuals' daily lives, businesses, and governments.

Performance Expectations

- 4.1.1 Investigate the roles of the Federal Reserve and Congress
- 4.1.2 Explain what the Federal Reserve is, its function, and its impact on the U.S. economy
- 4.1.3 Differentiate between monetary policy and fiscal policies
- 4.1.4 Explain what is money and how it is given value
- 4.1.5 Compare the advantages and disadvantages of the barter system, currency, and near money
- 4.1.6 Analyze how changing interest rates are used to influence economies
- 4.1.7 Research the structure of financial institutions and analyze consumer and commercial products offered
- 4.1.8 Analyze the history and current trends of U.S. and international banking and predict the future of banking and its role in a global society
- 4.1.9 Analyze and discuss the structure of, the purpose for, and the affects of government taxation

- *Chapter 11 explains the roles of money and banking in the economy. A definition of money is provided and a history of money and banking from barter to electronic funds transfers is presented. The way interest rates are used to influence economies is discussed. The structure of financial institutions is described and financial products, such as loans, savings accounts and bonds, are explored. The role, functions and impact of the Federal Reserve System is described and Web links are included to all branches of the Federal Reserve for more information.*
- *Chapter 12 describes the role of Congress in formulating the national budget. Key concepts and terms, such as cost/benefit analysis and externalities, are defined. The budget-making process is explained and illustrated with a graphic. Web links are available to Congressional committees involved in the budget process like the House and Senate appropriation committees and the House and Senate budget committees.*
- *Chapter 13 discusses the structure, purpose and effects of government taxation. Different types of taxes—progressive, regressive and proportional taxation—are defined. The concept of a fair tax is debated and the criteria for determining a fair tax are explained. Links to related articles and Web sites present differing views on the fairness of current U.S. tax policy. A Web link is also included to the Internal Revenue Service for current information on U.S. tax policy.*

- *Chapter 17 differentiates between monetary and fiscal policy. The role of the Federal Reserve System and Congress is explained and the use of interest rates and taxation to influence economies is discussed. Other monetary and fiscal policy tools, such as deficit financing and open market operations, are described. The debate between Keynesian and supply-side economists is examined and links to related articles and Web sites present opposing views on ways to stabilize the economy.*
- *Chapter 23 explores the role and future of international banking. Key concepts and terms, such as special drawing rights and exchange rates, are defined. A Web link is included to a program that calculates the current exchange rate for the U.S. dollar and other currencies. Web links are also available to international banking organizations like the World Bank and the International Monetary Fund.*

Standard 4.2

Research the role of currency and international financial institutions in a global economy.

Performance Expectations

- 4.2.1 Compare/contrast the value of different currencies among nations
- 4.2.2 Explain the roles and functions of the World Bank, the International Monetary Fund (IMF), and other international banking/financial institutions
- 4.2.3 Compare and analyze the security exchanges and their effect on the world economy
- 4.2.4 Analyze the influence of events such as trade policies, politics, natural disasters, and cultural factors on the value of currency
- 4.2.5 Explain how the value of money and the exchange rate influence the standard of living in an economy

- *Chapter 7 describes the role of security exchanges in the global economy. The way stock markets provide investment capital to businesses is explained. Web links are included to the World Federation of Exchanges and to stock markets around the world, including the New York Stock Exchange, the London Stock Exchange and the Tokyo Stock Exchange.*

- *Chapter 23 explains how currency exchange rates are calculated and the value of different currencies among nations are identified. A graphic is included to illustrate the different values of currencies and a Web link is provided to a program that calculates the current exchange rate for the U.S. dollar and other currencies. The impact of security exchanges on the world economy is examined and the 1997 Asian financial crisis is cited as an example. The impact of events such as trade policies, politics, natural disasters and cultural factors on the value of currency are also explored and the U.S. decision in 1971 to abandon the gold standard is cited as an example. Links to related articles and Web sites identify current events that impact the value of currency and the global economy. The roles and functions of the World Bank, the International Monetary Fund and other international institutions, such as the United Nations and the World Trade Organization, are discussed and links are provided to the Web pages of these and other supranational organizations.*
- *Chapter 24 identifies factors that contribute to a nation's standard of living including the value of money and exchange rates. The plight of developing countries is explored and the responsibilities of developed countries to help improve the standard of living are debated. Web links are included to international aid organizations, such as the U.S. Agency for International Development and the Grameen Bank.*

5 Making Career Choices

Standard 5.1

Visualize your career options in a global economy.

Performance Expectations

- 5.1.1 Analyze U.S. and foreign economies to forecast how trade will affect job opportunities and income potential
- 5.1.2 Identify and assess personal interests, abilities, life goals, and possible career choices
- 5.1.3 Differentiate among various occupational choices (e.g., service, manufacturing, agricultural, public service, professional, technical)
- 5.1.4 Predict your future lifestyle and income using current global economic trends
- 5.1.5 Evaluate the impact of sociological, economic and technological changes on future careers

- *Chapter 10 explores labor issues and identifies various occupational choices. The impact of sociological, economic and technological changes on various career options is examined. A Web link is included to the Occupational Outlook Handbook, which identifies various career options (e.g., service, manufacturing, agricultural, public service, professional, technical) and describes the future prospects in those careers. An activity for this chapter in the Educator's Guide requires students to explore possible career choices and identify education and training requirements, future outlook for that career and average salary.*

- *Chapter 19 identifies factors that contribute to unemployment. The impact of sociological, economic and technological changes on careers is explained. The change caused by the shift from a goods-producing to a service-providing economy is cited as an example and a graphic is included to identify careers impacted positively and negatively from the change. Links to related articles and Web sites present current statistics on U.S. employment trends.*