



## Kentucky Core Content for Social Studies Assessment

*What Citizens Need to Know About Economics*  
addresses Kentucky Core Content for Social Studies Assessment for the economics  
component of the social studies curriculum grade 11.



### **Economics**

Economics includes the study of production, distribution, and consumption of goods and services. Students need to understand how their economic decisions affect them, others, and the nation as a whole.

**Academic Expectation 2.18: Students understand economic principles and are able to make economic decisions that have consequences in daily living.**

### **High School (Assessment at Grade 11)**

**The basic economic problem confronting individuals and societies is the scarcity or imbalance between unlimited wants and limited resources available for satisfying those wants.**

**SS-H-3.1.1** Scarcity of resources necessitates choices at both the personal and societal levels.

- *Chapter 2 explains how the scarcity of resources necessitates economic choices at the personal and societal levels. The use of the production possibilities curve to assess economic choices is described and illustrated with a graphic. Concepts, such as scarcity and opportunity cost, are defined. Links to related articles and Web sites are included for more information and specific examples.*

**SS-H-3.1.2** Federal, state, and local governments have limited budgets, so they must compare revenues to costs when planning public projects.

- *Chapter 12 explores the role of government in economic systems. Federal, state and local government revenues and expenditure categories are identified and illustrated with a graphic. The budget-making process of the federal government is described and a graphic is included to explain the interaction of the various government agencies in the budget process. Links are included to all state and local government Web sites and links are also available to various federal agency Web sites involved in the budget process, including the Office of Management and Budget and the Congressional Budget Office.*

**SS-H-3.1.3** To make informed choices, consumers must analyze advertisements, consider personal finances (including the importance of savings, investment, and use of credit), and examine opportunity cost.

- *Chapter 2 defines the term opportunity cost and explains how this concept impacts economic choice. The use of the production possibilities curve to determine opportunity costs associated with economic choices is explained and illustrated with a graphic. Links to related articles and Web sites are available for further research.*
- *Chapter 4 discusses the role of the consumer in an economic system. The influence of advertisement on consumer choices is explored. Key concepts and terms, such as conspicuous consumption and caveat emptor, are defined. Consumer protection issues are explored and links are included to consumer protection Web sites maintained by the government and consumer watchdog groups.*
- *Chapter 6 explores issues associated with personal finance. The wise use of credit is stressed and the concept of a household budget is explained and illustrated with a graphic. An activity for this chapter in the Educator's Guide involves creating a personal budget to achieve an economic goal like saving for college or retirement.*

**To deal with the problem of scarcity, people and societies create economic systems and institutions.**

**SS-H-3.2.1** Economic systems can be evaluated by their abilities to achieve broad social goals such as freedom, efficiency, equity, security, and growth.

- *Chapter 3 explains how various economic systems attempt to achieve broad social and economic goals. Different economic systems—traditional, command, market and mixed economies—are defined and their abilities to achieve broad social goals, such as freedom, efficiency, equity, security and growth, are compared. A comparison of capitalism, socialism and communism is also presented. Important economic philosophers like Adam Smith and Karl Marx are identified and Web links include their biographies and the complete texts of their most influential works.*
- *Chapter 14 identifies the human development index (HDI) as a major indicator of quality of life. HDI statistics, formulated by the United Nations Development Programme (UNDP), can be used to compare different countries' economic systems based on their ability to achieve broad social goals such as freedom, efficiency, equity, security and growth. A link is included to the UNDP's Web page that provides the most current HDI statistics.*
- *Chapter 15 discusses the social goal of economic growth. Factors that contribute to economic growth, like ample natural resources and technological innovations, are identified. Problems associated with economic growth, such as pollution, are explored. Links to related articles and Web sites are included for more information.*

- *Chapter 18 explores the social goal of economic equity. The disparities in income among minorities and women are explored. Key concepts and terms, such as middle class and working poor, are defined. Links to related articles and Web sites include current statistics on income distribution in the United States.*

**SS-H-3.2.2** Economic institutions include such organizations as corporations, labor unions, banks, stock markets, cooperatives, and partnerships.

- *Chapter 7 explores the role of business institutions, including corporations, cooperatives, partnerships and stock markets. The interaction between the stock market and corporations is described and Web links are included to stock exchanges around the world, such as the New York Stock Exchange, the London Stock Exchange and the Tokyo Stock Exchange.*
- *Chapter 10 discusses the role of labor unions in the United States economic system. A history of labor and labor unions is presented and tools of labor organizations, such as collective bargaining and strikes, are identified. The role of government in mediating labor/management relations is explained and links are included to important government legislation, such as the National Labor Relations Act and the Taft-Hartley Act. Web links are also provided to major U.S. labor unions like the AFL-CIO and the Teamsters.*
- *Chapter 11 describes the role of banking institutions in economic systems. A history of money and banking is provided. The way banks create money is explained and illustrated with a graphic. The role of the Federal Reserve System is explored and Web links are included to all branches of the Federal Reserve.*

**SS-H-3.2.3** Individuals attempt to maximize their profits based on their role in the economy (e.g., producers try to maximize profit, workers try to maximize income, savers and investors try to maximize return).

- *Chapter 7 explains how business enterprises attempt to maximize their profits through comparing the marginal cost of production to the marginal benefit received. The law of diminishing returns is explained and illustrated with a graphic. The way investors try to maximize returns by investing in stock and commodity markets is also explored and Web links are included to stock and commodity exchanges around the world, including the New York Stock Exchange, the Chicago Mercantile Exchange, the London Stock Exchange and the Tokyo Stock Exchange. An activity for this chapter in the Educator's Guide recommends students invest an imaginary sum of money in the stock market and chart its progress over a specified period of time.*
- *Chapter 10 explains how education and training allows workers to maximize their income. The use of collective bargaining by labor unions to maximize income is also explored. An activity for this chapter in the Educator's Guide involves researching career options and identifying a career path that would allow for maximum income.*

**Markets are institutional arrangements that enable buyers and sellers to exchange goods and services.**

**SS-H-3.3.1** Numerous factors influence the supply and demand for products (e.g., supply—technology, cost of inputs, number of sellers; demand—income, price of similar products, consumers' preferences).

- *Chapter 4 explains how consumers' preferences influence the marketing and sales of goods and services. Key concepts and terms, such as caveat emptor and conspicuous consumption, are defined. The impact of advertisement on consumers' preferences is explored and links to related articles and Web sites are included for further research.*
- *Chapter 7 describes how the cost of inputs impact business decisions. The law of diminishing returns is defined and illustrated with a graphic. Key terms, such as marginal cost and marginal benefit, are identified. Links to related articles and Web sites are available for more information and specific examples.*
- *Chapter 8 discusses the laws of supply and demand and explores factors that influence supply, demand, production and prices. Key concepts and terms, such as new buyer effect and substitute goods, are defined. Graphics are included throughout the chapter to illustrate how changes impact supply, demand and prices. Links to related articles provide examples.*

**SS-H-3.3.2** Specific financial and non-financial incentives often influence individuals differently (e.g., discounts, sales promotions, trends, personal convictions).

- *Chapter 4 discusses consumerism and explores factors that influence individual purchasing decisions. The impact of advertisement is cited as an example. Links to related articles and Web sites identify other factors that influence purchasing decisions, such as sales promotions, trends and personal convictions.*
- *Chapter 7 identifies incentives like property rights and profit that encourage entrepreneurs to take risks in business ventures. Successful entrepreneurs are highlighted and links to related articles and Web sites include biographies of such entrepreneurs as Ray Kroc, the founder of McDonald's, and Bill Gates, the founder of Microsoft.*

**SS-H-3.3.3** The level of competition in a market is largely determined by the number of buyers and sellers.

**SS-H-3.3.4** Laws and government mandates (e.g., anti-trust legislation, tariff policy, regulatory policy) have been adopted to maintain competition in the United States.

- *Chapter 9 explores competition in the marketplace. Key concepts and terms, such as pure competition, monopoly and oligopoly, are defined. The role of government to maintain competition in the United States is discussed and links are included to the complete texts of influential government legislation like the Sherman Antitrust Act and the Robinson-Patman Act.*
- *Chapter 22 identifies barriers to trade like tariffs and quotas that nations use to protect domestic industries from unfair competition. The debate between free trade and protectionism is explored and links to related articles and Web sites present opposing views of the free trade debate.*

**All societies deal with questions about production, distribution, and consumption.**

- SS-H-3.4.1** An entrepreneur is a person who organizes and manages a business and/or enterprise usually with considerable initiative and risk.
- SS-H-3.4.2** Technological change and investments in capital goods and human capital/resources increase productivity.
- SS-H-3.4.3** Investments in capital goods and labor can increase productivity but have significant opportunity costs.

- *Chapter 2 defines the term opportunity cost and explains how the production possibilities curve can be used to calculate opportunity costs while making economic choices. Links to related articles and Web sites include examples.*
- *Chapter 7 explains how an entrepreneur organizes the factors of production—land, labor, capital and management—to create goods and services for distribution. Risks associated with entrepreneurship are explored. Successful entrepreneurs are highlighted and biographies are included to entrepreneurs like Ray Kroc, the founder of McDonald's, and Bill Gates, the founder of Microsoft. The impact of technological change and investment in capital goods and human capital/resources on productivity is discussed. The law of diminishing returns is described and illustrated with a graphic.*
- *Chapter 15 identifies factors that lead to economic growth and the impact of investments in capital goods and labor on productivity is explored. Key concepts and terms, such as multiplier effect and accelerator effect, are defined. Links to related articles and Web sites are provided for further research and more examples.*

- SS-H-3.4.4** The interdependence of personal, national, and international economic activity often results in international issues and concerns (e.g., natural resource dependencies, economic sanctions, environmental and humanitarian issues).

- *Chapter 16 identifies the effects of the business cycle on individuals and the economy as a whole. The impact that changes in the U.S. economy have on the international economy is explored and terms, like contagion effect, are defined. The global economic impact of the September 11, 2001, terrorist attacks is cited as an example and related articles and Web sites provide more information.*

- *Chapter 23 explains how interdependence of the global economy impacts domestic and international economies. The impacts of the U.S. decision in 1971 to abandon the gold standard and the 1997 Asian financial crisis are cited as examples. The role of supranational organizations in the global economy is explored and links are included to major international organizations, such as the United Nations, World Bank and International Monetary Fund.*
- *Chapter 24 discusses global interdependence and economic development. The impact of global economics on developing countries is explored and topics, such as natural resource dependency, economic sanctions, environmental and humanitarian issues, are addressed. The debate over the role of developed countries to assist developing countries is presented and Web links are included to international aid organizations like the Grameen Bank and the U.S. Agency for International Development.*