



Maryland State Content Standards for Economics

What Citizens Need to Know About Economics
addresses Maryland's economics standards for Grade 12.



Economics (5.0): Social Studies

Students will develop economic reasoning to understand the historical development and current status of economic principles, institutions, and processes needed to be effective citizens, consumers, and workers participating in local communities, the nation, and the world.

5.1 Students demonstrate understanding of the implications of the economic concepts of scarcity and choice and how they are related.

5.1.12.1 assess how **scarcity** affects individuals, businesses, governments, and **nations** and the effectiveness with which people throughout history have utilized **specialization** and **trade** to address economic **scarcity** and unequal resource allocation using case studies.

- Chapter 1 defines the term scarcity and explains how economics studies the allocation of scarce resources. Links to related articles and Web sites provide examples for case studies.
- Chapter 2 defines the term scarcity and describes how it impacts production and distribution of resources. Links to related articles and Web sites provide examples for case studies.
- Chapter 22 defines terms such as specialization and comparative advantage and the affect these principles have on foreign trade. Links to related articles and Web sites provide examples for case studies.

5.1.12.2 evaluate how **producers** and **consumers** make decisions by analyzing anticipated marginal benefits and marginal costs and how these decisions usually involve **trade-offs** versus all-or-nothing decisions (G 4.1.1, G 4.1.4).

- Chapter 4 defines the law of diminishing utility as the point when too much of a product becomes more of a hindrance than a benefit. Specific examples are cited. An illustration is provided to demonstrate this concept.

- *Chapter 7 describes the law of diminishing returns in which the added cost of labor, or other factors of production, outweighs the added benefit gained by the extra resources. Specific examples with illustrations are provided.*
- *Chapter 8 discusses the laws of supply and demand and how it balances the cost versus the benefit of an action. Growing and selling tomatoes and raising the price of a meal at a restaurant are cited as examples. Graphics are provided to help illustrate these concepts.*
- *Chapter 15 defines the term cost-benefit analysis in which the cost of a program is measured against the benefits received from the program.*

5.1.12.3 evaluate how governments must weigh anticipated marginal costs and marginal benefits of alternatives when making decisions about the issue of limited economic resources.

- *Chapter 12 explores the decisions governments must make in comparing the cost and benefit of government programs such as Social Security and Medicare. Government waste is discussed, as is the budget-making process. Web links to governmental agencies, such as the Office of Management and Budget and the Congressional Budget Office, are provided.*
- *Chapter 15 defines the term cost/benefit analysis in which the cost of a program is measured against the benefits received from the program.*
- *Chapter 20 explores issues related to federal subsidies such as Social Security, Medicare and Medicaid. The cost and benefit of these programs are discussed and Web links to the government agencies that oversee these programs are provided.*

5.2 Students demonstrate understanding of the similarities and differences among economic systems and how each answers the basic economic questions of what to produce, how to produce, and for whom to produce.

5.2.12.1 analyze and compare **traditional, market, command, and mixed economies** as organizing systems for the **production, distribution, and consumption of goods and services** (G 4.1.1).

5.2.12.2 analyze the effects of **market** versus **command** systems on **consumer sovereignty, profit, productivity, property rights, and standards of living** in modern economies (G 4.1.1).

- *Chapter 3 provides an in-depth comparison of different economic systems including traditional, market, command and mixed economies. A comparison of capitalist, socialist and communist economies is available and Web links to the biographies of influential economic philosophers, such as Adam Smith and Karl Marx, are included as are links to the complete texts of their most influential works.*

5.3 Students demonstrate understanding of how, in a market economy, buyers and sellers interact in markets through the forces of supply and demand.

5.3.12.1 identify and analyze the factors that determine **supply** and those that determine **demand** and evaluate how **supply** and **demand** interact to determine **equilibrium price** or *market-clearing price for a resource, good, or service* (US 4.1.4).

- *Chapter 8 provides an overview of the laws of supply and demand. Concepts such as equilibrium price are defined and illustrations are included to demonstrate these concepts.*

5.3.12.2 analyze examples of how **price ceilings** and **price floors** cause **shortages** or **surpluses**.

- *Chapter 21 identifies how government subsidies for farmers affect the laws of supply and demand. Links to related articles and Web sites on such issues as the Freedom to Farm Act and the 2002 Farm Bill are provided for further research.*

5.3.12.3 analyze market structures in contemporary situations.

- *Chapter 7 defines the term market and explores how businesses interact in a market structure. Web links to major stock markets around the world are provided.*

5.3.12.4 analyze the development and long-term effects of business, farm, and labor organizations on the United States economy (US 4.1.3).

- *Chapter 2 provides a timeline of important events in U.S. economic history. Links to related articles and Web sites are provided for further insight.*

- *Chapter 7 provides an overview of business in the United States. Web links highlight successful corporations and individuals who have influenced American business.*
- *Chapter 10 provides an overview of the labor movement in America. Web and article links are included to the complete texts of significant government legislation, such as the National Labor Relations Act and the Taft-Hartley Act, and to the Web pages of influential labor organizations, such as the AFL-CIO and the Teamsters.*
- *Chapter 21 identifies the importance of American farms in the national and global marketplace. Issues such as government subsidies and the rise of corporate farms are discussed and links to the complete texts of influential government legislations such as the Freedom to Farm Act and the 2002 Farm Bill are provided.*

*5.3.12.5 assess how the incentives inherent in a **market economy** preserve political and economic freedom.*

- *Chapter 3 identifies the benefits of a market economy and compares it to traditional, command and mixed economies. Web links provide more information on influential economic philosophers, such as Adam Smith and Karl Marx, and the complete texts of their most famous works are available.*

5.4 Students demonstrate understanding of the characteristics of the economic institutions and incentives created within economic systems to organize production, distribution, and consumption.

*5.4.12.1 analyze how **economic institutions** are interdependent and how their relationship is affected by **trade**, exchange, **money**, and banking.*

- *Chapter 11 provides an overview of money and banking. Concepts such as the money supply and different types of banks are discussed. Web links are available to the Federal Reserve System for further research.*
- *Chapter 22 explores issues associated with foreign trade. Web links to international trade associations such as the North American Free Trade Agreement and the European Union are provided.*
- *Chapter 23 describes the interdependence of the global economic system. The 1997 Asian financial crisis is discussed and concepts such as currency exchange and balance of payments are explored. A Web link to a currency conversion program is available for comparative purposes.*

5.4.12.2 explain the role of **entrepreneurs** in a **market economy** and how profit is an incentive that leads **entrepreneurs** to accept the risks of business failure.

- Chapter 3 defines the term market economy and compares it to traditional, command and mixed economies. Incentives of the market economy are discussed and Web links to the biographies of influential economic philosophers such as Adam Smith and Karl Marx are provided along with the complete texts of their most famous works.
- Chapter 7 describes the role of entrepreneurs in a market economy. Web links provide biographies of influential entrepreneurs such as Ray Kroc, the founder of McDonald's, and Bill Gates, the founder of Microsoft.

5.4.12.3 analyze the **interdependence** of **saving**, **borrowing**, and **investment** decisions of **consumers** and **producers**.

- Chapter 4 describes the interdependence of consumers and producers. The concept of how demand leads to production is discussed and illustrated with graphics.
- Chapter 6 identifies the importance of saving and borrowing and its impact on consumer credit and the economy as a whole are discussed.
- Chapter 7 explores issues associated with investment decisions. Web links to major stock exchanges around the world, from New York to Tokyo to London, are provided.
- Chapter 11 describes how saving and borrowing affect the money supply. The concept of how money is created through the interdependence of saving and borrowing is presented and illustrated with a chart.

5.5 Students apply and demonstrate an understanding of economics to personal finance decisions and explain how those decisions affect the economy.

5.5.12.1 assess how **scarcity** influences personal finance choices, including budgeting, **saving**, investing, and credit.

- Chapter 1 defines the concept of scarcity and explains how it forces consumers to make choices.
- Chapter 6 identifies issues associated with consumer credit, including budgeting, saving and investing. Web links provide advice from the U.S. government on maintaining proper credit.

5.5.12.2 analyze examples of [and] explain how personal financial decision are evaluated in terms of their **opportunity costs** and economic risks.

- Chapter 4 provides examples of personal finance decisions in the context of consumerism. Web links to consumer watchdog groups such as Public Citizen are provided.
- Chapter 6 identifies the risks associated with consumer credit. The wise use of credit is discussed and Web links provide advice from the U.S. government on maintaining proper credit.
- Chapter 12 defines the concept of opportunity costs.

5.5.12.3 analyze factors which affect **standards of living** in world communities.

- Chapter 24 identifies factors that affect the standard of living in world communities. Issues associated with economic development and efforts to improve the standard of living in developing countries are discussed. Web links to international aid organizations, such as the Grameen Bank and the U.S. Agency for International Development, are provided.

5.5.12.4 compare and contrast the importance of short- and long-term **saving** and **investment** strategies.

- Chapter 6 identifies the importance of saving and investment strategies in the context of consumer credit. The wise use of credit is discussed and Web links provide advice from the U.S. government on maintaining proper credit.

5.5.12.5 investigate how payment performance determines credit history and why credit records are maintained and accessed.

- Chapter 6 identifies issues associated with credit and the importance of maintaining proper credit is stressed. Issues such as bankruptcy and identity theft are discussed. Web links provide advice from the U.S. government on maintaining proper credit.

5.5.12.6 identify and evaluate the risk, return, and liquidity of various **saving** and **investment** decisions.

- *Chapter 7 identifies the risks and returns of investment decisions in the context of business decisions. Web links to the New York Stock Exchange, the Chicago Mercantile Exchange and other markets are provided for current information on investment opportunities.*

5.6 Students demonstrate understanding of the economic roles of government in a market-oriented economy.

5.6.12.1 evaluate the role of government in providing national defense and other **public goods**, addressing environmental concerns, defining and enforcing property rights, and addressing **market failures** (G 4.1.2, G4.1.3).

- *Chapter 1 identifies the role of government to perform tasks that the private sector is unable or unwilling to perform.*
- *Chapter 12 identifies the roles of government in the economic system. Web links to many government agencies including the Environmental Protection Agency and the Occupational Safety and Health Administration are provided for more information.*
- *Chapter 17 describes the options governments have in addressing market failures. Web links to the Federal Reserve System are provided for current information.*

5.6.12.2 evaluate the role of government in providing a legal framework for economic activity and a **monetary system** to promote full employment, price stability, and economic growth (G 4.1.4).

- *Chapter 15 identifies the role of government to maintain the economy and encourages economic growth. Links to related articles and Web sites are provided for further research.*
- *Chapter 17 examines the tools available to the government to maintain a stable economy. The debate between Keynesian and supply-side economists is explored and Web links are provided for more detail.*

5.6.12.3 analyze **taxes** according to their base, incidence, and classification.

- *Chapter 13 explores issues associated with taxes. The concept of a "fair tax" is discussed and the different types of taxes are identified and defined. A Web link to the Internal Revenue Service is provided for current information on U.S. tax law.*

5.6.12.4 analyze the effectiveness of **monetary**, **fiscal** and **regulatory** policy in achieving the nation's **socioeconomic** goals using cost-benefit analysis (G 4.1.2, G 4.1.4).

- *Chapter 17 differentiates between monetary, fiscal and regulatory policy. The benefits and drawbacks to each are discussed. Links to related articles provide information on monetary and fiscal policy decisions by the current U.S. administration. Web links to the Federal Reserve System are also provided for current information on monetary policy.*

5.7 Students demonstrate understanding of the effects of specialization, interdependence, and trade on the United States and other nations.

5.7.12.1 describe and analyze the economic costs and benefits of **protectionism** (tariffs, subsidies, standards and quotas) on international **trade** and the short- and long-term effects of voluntary **free trade** on worldwide **standards of living** (US 4.1.2, US 2.1.1).

- *Chapter 22 explores issues associated with foreign trade. Protectionism versus free trade is debated and the costs and benefits of each are discussed. Web links to international trade organizations such as the European Union and the North American Free Trade Agreement are provided.*
- *Chapter 24 explores issues related to economic development. The effects of trade restrictions on the standards of living of developing countries are discussed.*

5.7.12.2 evaluate the effects of **specialization**, **trade**, and **interdependence** on the **standard of living** and **economic growth** and well-being of the United States (US 4.1.2).

- *Chapter 22 describes the effects of trade on the United States. A history of U.S. trade policy is provided along with Web links to international organizations such as the North American Free Trade Agreement.*

5.7.12.3 explain the law of **comparative advantage** and demonstrate how and why **absolute advantages** and **comparative advantages** change over time.

- *Chapter 22 provides a definition of the term comparative advantage in the context of foreign trade. Links to related articles and Web sites are provided for further research.*

5.7.12.4 analyze the causes and effects of surpluses and deficits in a country's balance of trade.

- *Chapter 23 defines the concept of balance of trade and the effects of having a balance of trade deficit or surplus are discussed. A Web link is available that provides current information on the U.S. balance of payments account.*

5.7.12.5 illustrate how exchange rates work, why they fluctuate, and how they affect international trade and producers and consumers.

- *Chapter 23 explores issues associated with foreign exchange rates. How they work, why they fluctuate and how they affect international trade, producers and consumers, are all discussed. A Web link to a currency conversion program is provided for current statistics on foreign exchange rates.*

Description of Terms

At the high school level *italicized type* is used when an indicator is not assessed as part of the High School Assessment – Social Studies Core Learning Goals (CLG) for Government (G), United States History (US), and World History (WH). Regular type is used for an indicator that is closely related to one or more of the Core Learning Goals, but is not the specific Core Learning Goal indicator. A "G" refers to the Government CLG, a "US" refers to the United States History CLG, and "SFS" refers to the Skills for Success CLG.