



New York Learning Standards for Social Studies and Economics, the Enterprise System, and Finance

What Citizens Need to Know About Economics

addresses New York Learning Standards for the economics component of the social studies curriculum and Learning Standards for Economics, the Enterprise System and Finance grade 12.



Standard 4—Economics

Students will: use a variety of intellectual skills to demonstrate their understanding of how the United States and other societies develop economic systems and associated institutions to allocate scarce resources, how major decision-making units function in the U.S. and other national economies, and how an economy solves the scarcity problem through market and nonmarket mechanisms.

Key Idea 1: The study of economics requires an understanding of major economic concepts and systems, the principles of economic decision making, and the interdependence of economies and economic systems throughout the world.

Performance Indicators--Students will:

Commencement

- analyze the effectiveness of varying ways societies, nations, and regions of the world attempt to satisfy their basic needs and wants by utilizing scarce resources

- *Chapter 3 describes varying ways societies, nations and regions of the world attempt to satisfy their basic needs and wants by utilizing scarce resources through the development of varying economic systems. Traditional, command, market and mixed economic systems are defined and examples are given. A comparison of capitalism, socialism and communism is also included and Web links provide biographies of influential economic philosophers, such as Adam Smith and Karl Marx, and the complete texts of their most important works.*

- define and apply basic economic concepts such as scarcity, supply/demand, opportunity costs, production, resources, money and banking, economic growth, markets, costs, competition, and world economic systems

- *Chapter 2 defines the terms scarcity and opportunity costs and explains how production occurs through the use of resources. A graphic of the production possibilities curve is included to illustrate how scarcity and opportunity costs require choices in determining what to produce with scarce resources.*

- *Chapter 3 identifies different economic systems that are in place around the world, including traditional, command, market and mixed economies. A comparison of capitalism, socialism and communism is also presented and examples for each are provided.*
- *Chapter 8 describes the law of supply and law of demand and explains how they determine prices in a market economy. Graphics are included to illustrate those concepts.*
- *Chapter 9 explores competition in the marketplace and concepts like pure competition, monopoly and oligopoly are defined. Links to related articles and Web sites are included for further research and specific examples.*
- *Chapter 10 discusses money and banking and provides definitions of each. A history of money is included and the role of the Federal Reserve System is described. Web links are included to all branches of the Federal Reserve.*
- *Chapter 15 explores economic growth. The way gross domestic product is calculated to determine economic growth is explained and problems of growth are identified. Web links include current statistics on the growth level of the economy.*

- understand the nature of scarcity and how nations of the world make choices which involve economic and social costs and benefits

- *Chapter 2 explores the nature of scarcity and explains how choices are involved in economic decisions. The production possibilities curve is highlighted to demonstrate economic choices.*
- *Chapter 22 describes how nations of the world make choices with regard to production and foreign trade. Concepts like specialization and comparative advantage are defined.*

- describe the ideals, principles, structure, practices, accomplishments, and problems related to the United States economic system

- *The emphasis of this book is on the United States economic system and throughout the chapters the ideals, principles, structure, practices, accomplishments and problems are addressed.*

- compare and contrast the United States economic system with other national economic systems, focusing on the three fundamental economic questions

- *Chapter 2 identifies the three fundamental economic questions: What to produce? How to produce? And, for whom to produce? A graphic is included to illustrate how these questions interact in an economic system.*
- *Chapter 3 identifies the United States economic system and compares and contrasts it to other national economic systems, with a focus on the three fundamental economic questions. Links to related articles and Web sites provide specific examples.*

- explain how economic decision making has become global as a result of an interdependent world economy

- Chapter 23 explains how economic decision-making has become global as a result of an interdependent world economy. Web links are included to many international economic organizations, such as the International Monetary Fund and the World Bank.

- understand the roles in the economic system of consumers, producers, workers, investors, and voters

- Chapter 4 describes the role of consumers in economic systems. Concepts, such as the way consumers vote through purchases, are explained. Key terms like caveat emptor and diminishing utility are defined. Links are included to consumer protection Web sites maintained by the government and consumer protection groups.

- Chapter 7 explains the role of producers and investors in an economic system. The role of the entrepreneur is explained and links include biographies of successful entrepreneurs, such as Ray Kroc, the founder of McDonald's, and Bill Gates, the founder of Microsoft.

- Chapter 10 examines the role of workers in an economic system and explores issues associated with labor and organized labor. Web links are included to major labor organizations, like the Teamsters and the AFL-CIO.

- Chapter 12 describes the role of government in an economic system and the influence that voters have on governmental decisions is explored. Links to related articles and Web sites are included for further research.

Key Idea 2: Economics requires the development and application of the skills needed to make informed and well-reasoned economic decisions in daily and national life.

Performance Indicators--Students will:

Commencement

- identify, locate, and evaluate economic information from standard reference works, newspapers, periodicals, computer databases, monographs, textbooks, government publications, and other primary and secondary sources
- use economic information by identifying similarities and differences in trends; inferring relationships between various elements of an economy: organizing and arranging information in charts, tables, and graphs; extrapolating and making conclusions about economic questions, issues, and problems
- apply a problem-solving model to identify economic problems or issues, generate hypotheses, test hypotheses, investigate and analyze selected data, consider alternative solutions or positions, and make decisions about the best solution or position

- *Links to related articles and Web sites provide students with economic information from standard reference works, newspapers, periodicals, computer databases, monographs, textbooks, government publications, and other primary and secondary sources.*
- *Learning Tools linked to each chapter provide students with worksheets that can be used to evaluate sources and educate students on problem solving, map skills, analyzing charts and graphs and understanding basic knowledge.*

- present economic information and conclusions in different formats, including graphic representations, computer models, research reports, and oral presentations

- *Recommended activities for each chapter in the Educator's Guide involve students presenting economic information and conclusions in different formats, including graphic representations, computer models, research reports and oral presentations.*

Economics, the Enterprise System, and Finance

I. Living in a Global Economy

A. Economics and finance in our lives

1. People have personal financial goals
2. National economic goals impact on individuals

- *Chapter 6 describes how people can achieve personal financial goals through the use of economic budgeting. An activity for this chapter in the Educator's Guide involves the creation of a personal financial budget to achieve specific goals. An outline worksheet for creating a household budget is included in the chapter as a downloadable graphic. This chapter also describes how national economic goals impact individuals in the context of the national debt.*

B. Individuals have multiple roles in the global economy: consumer, saver, investor, producer, earner, borrower, lender, taxpayer, and recipient of government services

- *Chapter 4 identifies an individual's role as a consumer in an economic system. Many consumer issues are addressed, including consumer protection and consumer privacy. Links are included to consumer protection Web sites maintained by the government and consumer watchdog organizations.*
- *Chapter 6 describes the individual's role as a borrower. Issues of consumer credit are explored and the consequences of poor credit are identified. Concepts like bankruptcy and truth-in-lending are addressed.*

- *Chapter 7 explores the role of individual's as entrepreneurs (producers) and investors. Successful entrepreneurs, such as Bill Gates, the founder of Microsoft, and Ray Kroc, the founder of McDonald's, are highlighted. The role of the investor is also described and 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.*
- *Chapter 10 identifies issues associated with an individual's role as a laborer (producer, earner). A history of labor in the United States is described and the role of labor unions is explored. Web links are included to major labor organizations, including the AFL-CIO and the Teamsters.*
- *Chapter 11 examines the role of money and banking in an economic system and the roles of the individual as a saver, borrower and lender are explored. The effects of saving, lending and borrowing on the money supply and the economy as a whole are described.*
- *Chapter 13 identifies the role of the individual as a taxpayer. The concept of a fair tax is addressed and a Web link is included to the Internal Revenue Service for current information on U.S. tax policy. An activity for this chapter in the Educator's Guide involves completing proper income tax forms.*
- *Chapter 20 explains how most people at some time in their lives will become recipients of government services in the form of federal subsidies. Different federal subsidies are identified and Web links are included to the agencies that oversee such programs as Social Security, Medicare, Medicaid and Head Start.*

- C. The conflict between unlimited wants but limited resources forces both individuals and societies to make economic decisions
1. What to produce?
 2. How to produce?
 3. Who will receive what is produced?
- D. Productive resources help determine our wealth and our nation's wealth
1. Land
 2. Labor
 3. Capital
 4. Management

- *Chapter 2 explains how unlimited wants and limited resources force individuals and societies to make economic decisions. The production possibilities curve is identified as a way to illustrate economic choices based on limited resources. The three basic economic questions are identified as being: What to produce? How to produce? And, who will receive what is produced? This chapter also identifies the productive resources (factors of production) as being land, labor, capital and management. Graphics are included throughout the chapter to illustrate these principles.*

II. The United States Economic System

- A. Characteristics, pillars, and goals of the United States economy (a mixed capitalist economy)—profit motive, private property, competition, price system
1. Circular flow of the economy
 2. Price system (i.e., all factors that work together to determine price) and the theory of supply and demand
 3. Competition in a market economy

- *Chapter 3 identifies the characteristics, pillars and goals of the United States mixed capitalist economy. Profit motives, private property and competition are described as being characteristics of the U.S. economy. A comparison and contrast of other economic systems is included to differentiate the U.S. system from other economic systems. Specific examples are cited and links to related articles and Web sites provide more information.*
- *Chapter 8 describes the price system that is a pillar of the U.S. mixed capitalist economy. The laws of supply and demand are defined and graphics are included to illustrate how they determine price.*
- *Chapter 9 examines competition in a market economy. Concepts, such as monopoly, oligopoly and pure competition, are defined. Specific examples of monopolistic practices are presented and the government's reaction is highlighted. Links are provided to the complete texts of influential government legislation, such as the Sherman Antitrust Act and the Robinson-Patman Act.*
- *Chapter 14 defines the circular flow of the economy principle and graphics are included to illustrate this concept. Links to related articles and Web sites are provided for further study.*

B. Challenges for the United States and other market-based systems

1. Unemployment
2. Income and wealth gaps
3. Other challenges: environmental pollution, economic instability, and discrimination

- *Chapter 10 examines the role of labor in an economic system and addresses discrimination in the workforce. The response of the federal government is described and links to related articles and Web sites provide more information on topics such as affirmative action, equal pay and disability discrimination.*
- *Chapter 15 identifies challenges for the United States and other market-based economies in the context of problems associated with economic growth like environmental pollution. Links to related articles and Web sites are included for more information and specific examples.*
- *Chapter 16 explores the challenges of instability in market-based economies. The business cycle is described and the impact that recessions, depressions and inflation have on individuals is examined. An oral history of the Great Depression is included to illustrate how instability in a market economy impact individuals.*

- *Chapter 18 identifies the challenges of income and wealth gaps and discrimination in market economies. Key terms like middle class and working poor are defined and the disparities in the distribution of income among minorities and women are addressed. Graphics are included to illustrate this point and Web links provide current statistics on income distribution in the United States.*
- *Chapter 19 addresses the problem of unemployment in market economies. Concepts like structural unemployment and discouraged workers are defined. Web links include current unemployment statistics from the U.S. Department of Labor.*

III. The Enterprise System and the United States Economy

A. Features of the enterprise system

1. Freedom of enterprise
2. Private property
3. Profit motive
4. Consumer sovereignty
5. Competition
6. Rule of law
7. Antitrust legislation
8. Investment through research, innovation, and technology

- *Chapter 3 identifies features of the United States enterprise system, such as private property and profit motives. The free enterprise system of the U.S. is compared to the command system of the former Soviet Union and the traditional caste system of India.*
- *Chapter 4 explains how consumer sovereignty is an important feature of the U.S. economic system. Concepts like caveat emptor and conspicuous consumption are defined. Links to related articles and Web sites highlight many issues associated with consumerism.*
- *Chapter 7 identifies characteristics of the free enterprise system, including incentives for entrepreneurs, such as private property and profit. Links to related articles and Web sites explore this and other issues.*
- *Chapter 9 explains how competition and the rule of law impact the U.S. enterprise system. Concepts, such as business ethics, pure competition and monopolistic practices, are addressed. The role of government to maintain the rule of law is described and major antitrust laws are identified. Links are included to the complete texts of influential government legislation such as the Sherman Antitrust act and the Robinson-Patman Act.*
- *Chapter 24 explains the importance of investment through research, innovation and technology for developing countries to form a successful free enterprise system. Concepts like brain drain and foreign investment are defined.*

B. Types of business organizations

1. Sole proprietorship

2. Partnership
 3. Corporation (profit and not-for-profit)
 4. Franchises
 5. Influences of cartels, monopolies, oligopolies
- C. Role of the entrepreneur
1. Examples of entrepreneurs today
 2. Impact of entrepreneurs on the economy
 3. Impact of entrepreneurs on community development
- D. Starting and operating a business
1. Recognizing opportunities
 2. Setting goals
 3. Developing a business plan
 4. Product development, purchasing and inventory management, record keeping, and distribution
 5. Production and delivery of goods and services
 6. Marketing
 7. Financing
 8. Assessing progress
- E. The interactions between large and small businesses
1. Antitrust cases
 2. Implications for consumers
 3. Implications for business
- F. Effects of globalization on business
1. Multinational corporations
 2. Small businesses and their connections to world trade
- G. Moral, ethical, and legal issues
1. Business ethics
 2. Regulations for doing business
 3. "Corporate citizenship"

- Chapter 7 explores the role of businesses in economic systems. Different types of businesses are identified—sole proprietorship, partnership, corporation and franchises. The role of the entrepreneur is also explained and the impacts entrepreneurs have on the economy and community are explored. Links are included to biographies of modern entrepreneurs like Bill Gates, the founder of Microsoft. Issues related to the operating of a business are addressed, such as marketing and financing. An activity for this chapter in the Educator's Guide suggests students organize in groups and create a plan for starting and operating a business and interviewing a local entrepreneur for information on how his or her business is organized.

- *Chapter 9 explores ethical issues associated with business. Competition in the marketplace is explored and the implications of unethical business practices for consumers, competitors and investors are explained. Concepts, such as monopolies, oligopolies and pure competition, are defined. Links are included to the complete texts of important antitrust legislation and business ethic laws, such as the Sherman Antitrust Act and the Clayton Antitrust Act. The government's response to the 2002 business ethics scandals that forced Enron and WorldCom into bankruptcy is explored.*
- *Chapter 22 describes how multinational corporations and cartels operate in the global economic system. The Organization of Petroleum Exporting Countries is cited as an example of a cartel and links are included to its Web page and the Web pages of organizations that monitor international economic relations, such as the World Trade Organization and the International Monetary Fund.*

IV. Labor and Business in the United States

- A. Roles and responsibilities of workers
 1. Evolving roles of workers in business (e.g., providing input to management, working in teams)
 2. Matching worker qualifications and skills with business needs
- B. Composition of the workforce
 1. Changing roles of women, teenagers, the elderly, and minorities
 2. Population and demographic trends
 3. Experience, location, and skill needs
 4. Affirmative action issues
 5. Changing skill mix and skill requirements
 6. Costs and benefits of hiring immigrants
- C. Compensation and rewards
 1. Factors leading to job satisfaction versus factors resulting in dissatisfaction
 2. Salary versus wages versus ownership
 3. Fringe benefits
 4. Employer-of-choice issues (e.g., benefits, working conditions, incentives, flex time, corporate values)
- D. Labor-management relations
 1. History of labor-management relations
 2. Labor unions and their changing roles over time; collective bargaining
 3. Labor laws
 4. Programs promoting improved labor-management relations
 5. Unemployment issues, including structural unemployment
 6. International labor issues—child labor, worker exploitation, and sweatshops
 7. Open borders, migrant workers, and competition from new immigrants

- *Chapter 10 identifies issues associated with labor in the market place. The roles and responsibilities of workers are described and issues associated with compensation are addressed. The salary of workers compared to executives is discussed and illustrated with a graphic. The changing composition of the workforce is described and a graphic highlights the rise of women in the workforce. Worker skills and qualifications and their impact on compensation are examined and an activity for this chapter in the Educator's Guide involves students researching occupations to pursue and identifying the requirements and outlook for that occupation. A Web link to the Department of Labor's Occupational Outlook Handbook is included to assist in this research. Issues of discrimination are addressed and links are provided for more information on the government's reaction to issues such as affirmative action, equal pay and the treatment of disabled workers. Labor-management relations are also explored and issues like collective bargaining and labor laws are identified. A history of labor relations is included and links are provided to the complete texts of labor laws like the National Labor Relations Act. International labor issues, such as immigration, child labor and sweatshops, are identified. The role of labor unions in addressing these issues is discussed and links are included to the Web pages of major labor organizations, such as the AFL-CIO and the Teamsters.*
- *Chapter 19 addresses issues of unemployment and concepts, such as structural unemployment and underemployed workers, are defined. A Web link is included to statistics on the demographic trends impacting the employment rate. The issue of a disproportionate number of unemployed minorities and women is addressed and illustrated with a graphic.*

V. Money, Finance, and Personal Finance

A. Money

1. Definition of money
2. Characteristics and functions of *money*
3. Money and the future: a cashless society?

- *Chapter 11 explores the role of money in an economic system. Characteristics, functions and definitions of money and the money supply are presented. A history of money from barter to a possible future cashless society is provided. Concepts like electronic funds transfers and currency are defined. A Web link is included to the Money Museum for further exploration of the history and functions of money.*

B. Introduction to finance and personal finance

1. Definition of *finance*
2. Personal financial goals and strategies
3. The role of finance in business and government

- *Chapter 6 explores issues associated with personal finance. Concepts such as finance and bankruptcy are addressed. An activity for this chapter in the Educator's Guide involves creating a financial strategy, such as a budget, to achieve a personal financial goal.*
- *Chapter 7 describes the role of finance in business. The concept of how finances in the stock market influence investment capital is explained and a graphic is included to illustrate this concept. Web links are included to major stock exchanges around the world, including the New York Stock Exchange, the London Stock Exchange and the Tokyo Stock Exchange.*
- *Chapter 11 describes the role of banks in providing financial options to individuals. The way savings and loans increase the money supply is described and illustrated with a graphic. The role of government to secure financial investments is explored and Web links are included to government agencies that insure finances, such as the Federal Deposit Insurance Corporation.*

C. Instruments, institutions, financial markets and investors

1. Instruments
 - a. Equity (stocks)
 - b. Debt (public and private)
2. Markets
 - a. Roles markets play in directing funds from savers to investors
 - b. Effects markets have on individuals and the economy
 - c. Types of markets: equity, debt, stock, bond, and commodity (e.g., New York Stock Exchange, NASDAQ, bond, commodities, currencies)
 - d. Effects of current events on domestic and global markets
 - e. Risk

- *Chapter 6 explores the impact of debt (public and private) on individuals and the economy. The risks involved in purchasing goods and services on credit are discussed and concepts like bankruptcy are defined. The impact that the national debt has on individuals and the economy is described.*
- *Chapter 7 identifies investment instruments and markets. The impact that markets have on individuals and the economy is described and the role markets play in directing funds from savers to investors is explained and illustrated with a graphic. Different types of markets are highlighted and Web links are included to major markets around the world, including the Chicago Mercantile Exchange, the New York Stock Exchange, the London Stock Exchange and the National Association of Securities Dealers Automated Quotations (NASDAQ). Links to related articles include information on how current events impact domestic and global markets.*

3. Banks: their role in the financial system and importance to consumers
 - a. Kinds of banks and other deposit-taking institutions; savings accounts, checking accounts, and loans

- 1) Commercial and savings—serving consumers and businesses; issues related to minorities and minority-owned businesses
- 2) Investment banks—raising capital
- b. Banks and businesses
- c. Banks and the consumer
- d. Banks as financial intermediaries

- Chapter 11 describes the role of banks in an economic system. Different types of banks are defined and different functions of banks are identified. The role of banks as financial intermediaries is explained and the way banks create money is presented and illustrated with a graphic. The role of the Federal Reserve System is examined and Web links are included to all branches of the Federal Reserve. Issues related to minorities are addressed and the term redlining is defined.

4. Insurance
 - a. Purpose of insurance
 - b. Kinds of insurance
 - c. Shopping for insurance

- Related articles linked to Chapter 10 discuss the trend toward employers providing different types of insurance (e.g., health, dental, life) for their employees.

- Chapter 11 describes different kinds of insurance designed to protect individuals from bank failures. The role of the federal government to ensure that all banks provide insurance on bank deposits is described and a Web link is included to the Federal Deposit Insurance Corporation (FDIC). The consequences of not having banking insurance are explained and the savings and loan crisis of the 1980s is explored.

- Chapter 20 identifies many different types of insurance, including health insurance for the poor, disabled and elderly (Medicare and Medicaid), unemployment insurance and old age insurance (Social Security). The costs of these insurances on individuals and the economy as a whole are explored. Web links are included to the agencies that provide these services.

5. Regulating the financial services industry
 - a. Securities and Exchange Commission
 - b. Federal Reserve
 - c. Office of the Comptroller of the Currency
 - d. State Banking and Insurance Commissions
 - e. F.D.I.C.

- *Chapter 11 describes how governments regulate financial services. The role of the Federal Reserve System and agencies, such as the Federal Deposit Insurance Corporation (FDIC), are identified. Web links are included to all branches of the Federal Reserve, the FDIC and other regulatory agencies.*
- *Chapter 12 explores the regulatory powers of government and a Web link is included to the Securities and Exchange Commission. The chapter also includes a link that provides access to Web pages for every state, including New York. From that link, researchers can access state banking and insurance commissions and other state regulatory agencies.*

D. Interest and the cost of money

1. Interest rates—the cost of the temporary use of somebody else's money
2. Measuring interest rates—APRs
3. Short- and long-term rates—the "yield curve"
4. Effects of raising and lowering rates
5. Compounding and the rule of 72
6. Interest rate spread

- *Chapter 6 defines the term interest rates. Concepts like annual percentage rates and simple and compound interests are explored. The short- and long-term rates are discussed in the context of unfair lending practices on short-term loans that charge exorbitant interest rates. Links to related articles and Web sites are included for further research.*
- *Chapter 11 discusses the effects of raising or lowering interest rates on the money supply and the economy. The role of the Federal Reserve System in determining interest rates is explained and concepts, such as the discount rate and the way saving and lending creates money in the money supply, are described. Web links are included to all branches of the Federal Reserve for current information on interest rates and other topics.*
- *Chapter 15 explains the rule of 72, which determines the growth rate of interest rates and gross domestic product. Links to related articles and Web sites provide further information.*

E. Credit

1. Forms of credit (loans, credit cards, commercial paper, Treasury notes, bills and bonds)
2. Benefits and costs of credit
3. Credit and the consumer—personal credit reports and ratings, abuses of credit, abuses of creditors (e.g., predatory lending)
4. Short-term versus long-term credit
5. Problems with credit and unsecured credit

F. Managing your money

1. Strategies to achieve long-term goals
2. Budgeting
3. Personal savings and investing
 - a. Personal considerations (e.g., risk tolerance, values, age, family situation)

- b. Return on investment
- c. Managing risk through diversification
- d. Liquidity
- 4. Influence of advertising
- 5. Tax sheltering

- *Chapter 4 examines issues associated with consumerism and the influence of advertising is discussed. Financial management is explored in the context of consumer choices. Terms, such as caveat emptor and diminishing utility, are defined.*
- *Chapter 6 explores issues associated with credit and personal financial management. Different forms of credit (loans, credit cards, bonds) are identified and the benefits and costs of credit are compared. Problems with credit, such as bankruptcy, abuses of credit and predatory lending are examined. Short-term versus long-term credit is discussed in the context of predatory lending practices on short-term loans. Maintaining proper credit is stressed and budgeting is explained. An activity for this chapter in the Educator's Guide recommends students create a personal budget for achieving a long-term goal. A graphic within the chapter includes a worksheet for completing a personal household budget.*
- *Chapter 7 identifies different investment options, including stocks, bonds and commodities. Web links are included to different stock and commodity markets around the world, such as the New York Stock Exchange, the Chicago Mercantile Exchange and the London Stock Exchange. An activity for this chapter in the Educator's Guide suggests students invest an imaginary amount of money in a diversified portfolio of stocks and other investments and chart the return on the investment over a period of time.*
- *Chapter 11 describes the role of banks in an economic system. Different forms of bank investments are described, such as bonds, treasury notes and savings accounts. Concepts, such as liquidity are discussed. Links to related articles and Web sites are included for further information.*
- *Chapter 13 explores issues associated with taxation. The concept of a tax shelter is defined and links to related articles and Web sites provide further information.*

G. Careers in financial services industry

- *Chapter 10 addresses issues associated with labor. Career options are explored and an activity for this chapter in the Educator's Guide involves researching different career options and identifying trends in the industry, such as salary, job requirements and future prospects in that field. A Web link is included to the U.S. Department of Labor's Occupational Outlook Handbook, which identifies different career options, including those in the financial services industry, and highlights the trends in those fields.*

VI. Making Fiscal and Monetary Policy

- A. Macroeconomics and challenges facing policy makers
1. The business cycle: causes and effects of fluctuations in the business cycle
 2. Unemployment
 - a. Causes: structural, seasonal, and cyclical unemployment
 - b. Effects of unemployment
 3. Inflation
 - a. Causes
 - b. Effects on economy, financial system, and specific economic groups
 - c. Measuring inflation (CPI)
 - d. Combating inflation

- *Chapter 5 explains how inflation impacts the cost of living. Causes of inflation and efforts to combat inflation are discussed. The effects inflation has on the economy, financial systems and specific economic groups, such as households, are described. The way the consumer price index (CPI) calculates inflation is also explored and Web links include current CPI statistics.*
- *Chapter 16 describes the business cycle and explains how inflation impacts the business cycle. The causes and effects of fluctuations in the business cycle are explored and the impact of recessions, depressions, recovery and inflation on the economy, financial systems and specific economic groups is explained. An oral history of the Great Depression is included to illustrate the effect of fluctuations in the business cycle on individuals.*
- *Chapter 19 addresses issues associated with unemployment. The causes and effects of unemployment are explored and concepts, such as structural unemployment and seasonal unemployment, are described. Web links provide current information on the unemployment rate and the impact on the economy.*

- B. Economic growth
1. Determinants of growth
 2. Measures of growth (GDP)
 3. Limits of growth (the speed limits of growth)
 4. Effects of globalization on the United States GDP
 5. Importance of productivity and the role of technology
 6. Factors that explain why some countries grow faster than others

- *Chapter 14 explains how gross domestic product (GDP) is calculated to determine the level of economic growth for a country. Other economic indicators, such as national income and personal income, are identified. Links to related articles and Web sites include current statistics on GDP and economic growth.*

- Chapter 15 explores issues associated with economic growth. The use of GDP to measure growth is explained. Factors that determine growth and limit growth are described and the importance of productivity and technology is highlighted. Factors that explain why some countries grow faster than others are identified and the U.S. economy is cited as an example. Problems of growth are addressed and the effects of globalization on GDP are described. Links to related articles and Web sites include current GDP figures for the U.S. and other countries.

C. Fiscal policy

1. The role of the President and Congress
2. Setting spending priorities (e.g., national defense, social services, rebuilding the nation's infrastructure, and education)
3. The federal budget process
4. Tax policy
 - a. Purposes of taxes: to generate revenue and/or manage the economy and promote social goals
 - b. Tax fairness: progressive, regressive, and proportional
 - c. Kinds of taxes: federal, state, local, including the real property tax
5. Understanding the income tax
6. Understanding the social security tax
7. Understanding the real property tax
 - a. Government services provided
 - b. Taxing jurisdictions
 - c. Tax levy, tax rate, and tax bills (e.g., school, city, county, town)
 - d. Assessments: collection of data and computation
 - e. Taxpayer challenges

- Chapter 12 addresses the role of government in an economic system and identifies services the government provides. The role of the president and Congress to set spending priorities is explained and the federal budget-making process is described and illustrated with a graphic. The way cost/benefit ratios are used to determine spending priorities is examined and different spending priorities (national defense, social services, infrastructure and education) are identified. Web links are included to the many government agencies involved in the budget process, like the Office of Management and Budget and the Congressional Budget Office.

- *Chapter 13 explores issues associated with taxation on the local, state and national level. The purposes of taxes are described and different types of taxation—progressive, regressive and proportional—are identified. The fairness of different types of taxation is addressed and links to related articles and Web sites offer opposing views of the fairness of different tax policies. Different types of taxes—income, social security, and property—are explained and taxing jurisdiction is addressed. Links to related articles and Web sites provide information on current tax policies and their impact on federal, state and local governments, and on individuals. A Web link is also included to the Internal Revenue Service for more information on current U.S. tax policy. An activity for this chapter in the Educator's Guide involves filling out income tax forms and assessing the fairness of the federal income tax.*
- *Chapter 17 explains how fiscal policy can be used to stabilize the economy. Concepts, such as deficit financing and supply-side economics, are defined. Links to related articles and Web sites include current information on U.S. fiscal policy decisions and the impact they have on the economy.*
- *Chapter 20 identifies government services aimed at social welfare. The use of taxes to provide federal subsidies for the needy is explained. A history of Social Security is provided and other federal subsidies are highlighted. Web links are included to the governmental agencies that oversee such programs as Social Security, Medicare, Medicaid and Head Start.*

D. Monetary policy and the Federal Reserve

1. Definition of *monetary policy*
2. Goals of monetary policy
3. Conditions leading to the creation of the Federal Reserve
4. Federal Reserve's structure, functions, and goals (maintaining price stability and sustainable growth)
5. The role of the Fed in making and implementing monetary policy
6. Effects of changing interest rates
7. Fighting inflation and recession

- *Chapter 11 describes the role of the Federal Reserve System in maintaining a stable money supply. The effects of changing interest rates on the money supply and the economy are explored. The conditions that led to the creation of the Federal Reserve are explained and the structure, functions and goals of the Federal Reserve are highlighted. Web links are included to all branches of the Federal Reserve for more information on its history and functions in the economy.*
- *Chapter 17 defines monetary policy and discusses the role of the Federal Reserve in maintaining price stability and sustainable growth. The goals of monetary policy are addressed and the options for fighting inflation and recession are identified. Key concepts and terms, such as open market operations and reserve requirements, are defined. Links to related articles and Web sites include current information on U.S. monetary policy decisions and the impact they have had on the economy.*

VII. Impact of Globalization on the Economies of Other Nations

- A. Definition of *globalization*
 - 1. Historical development of the global economy
 - 2. The impacts of trade flows, capital movements, direct foreign investment, tourism, and foreign trade
 - 3. Positive and negative effects of globalization on developing and industrialized nations
- B. Trade—effects of globalization on the enterprise system
 - 1. Why do nations trade?
 - 2. Importance of trade
 - 3. Measuring trade
 - 4. Trade policy issues
 - 5. Global (WTO) and regional trading blocs (EMU, NAFTA, ASEAN, and MERCOSUR—Common Market of the South)
- C. Foreign exchange
 - 1. What are exchange rates?
 - 2. Reasons for exchange rate fluctuations
 - 3. Effects of exchange rate fluctuations
- D. Foreign investment
 - 1. Portfolio capital flows
 - 2. Direct foreign investment
- E. Global economic and financial issues and crises
 - 1. Debt of developing nations
 - 2. Environmental issues and concerns
 - 3. Global financial crises (e.g., Asia 1997, Russia 1998)
 - 4. Economic implications of national and international crises (e.g., World Trade Center, 2001)

- Chapter 22 explores issues associated with foreign trade and foreign investment. The reasons for foreign trade (e.g., specialization and comparative advantage) are described. Foreign investment issues are addressed and different types of capital flow investments, such as foreign direct investments and portfolio investments, are described. Trade policy issues are highlighted and the rise of global and regional trade blocks is explained. Web links are included to major global and regional trade organizations, including the World Trade Organization, the North American Free Trade Agreement, the European Union, the Association of Southeast Asian Nations and MERCOSUR.

- *Chapter 23 Defines globalization and explores the positive and negative effects of globalization. An historical perspective of the development of a global economy is presented. The interdependence of the global economy is examined and the 1997 Asian financial crisis is cited as an example. The global impact of the September 11, 2001, terrorist attacks on the United States is also explored in the Related Articles section. The debate over the success of globalization and different perspectives are presented with regard to the role of the World Trade Organization, the World Bank and the International Monetary Fund. Complaints about the abuse of multinational corporations and environmental issues are identified and related articles include opposing views on the debate over the role of these international organizations. The exchange rate is also explored and the reasons for fluctuations in exchange rates and the impact fluctuations have on the global and national economies are described. A Web link is included to a program that calculates the current exchange rates for the U.S. dollar and other currencies.*
- *Chapter 24 identifies positive and negative effects of globalization on developing countries. The impacts of debt on developing countries and the roles of developed countries are explored. Web links are included to major international aid organizations, such as the U.S. Agency for International Aid and the Grameen Bank.*