



Pennsylvania Academic Standards for Economics

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



Grade 12

6.1. Economic Systems

- A. Evaluate the strengths and weaknesses of traditional, command and market economies.
- B. Analyze the impact of traditional, command and market economies on the United States economy.

- Chapter 3 provides an overview of traditional, command and market economies. A comparison of capitalism, socialism, communism and mixed economies is provided and Web links are available to the biographies of influential philosophers, such as Adam Smith and Karl Marx, and the complete texts of their most famous works.

- C. Assess the strength of the regional, national and/or international economy and compare it to another time period based upon economic indicators

- Chapter 1 describes how the government calculates economic indicators. Links to governmental Web sites that provide data on the economy, such as the White House's Economic Statistics Briefing Room, are provided for current information.
- Chapter 5 explains how the cost of living varies from time to time and place to place. A Web link allows users to compare the value of the U.S. dollar during different time periods.

- D. Describe historical examples of expansion, recession, and depression internationally.

- Chapter 16 explains the business cycle and identifies times in U.S. history when the country was expanding, in recession or depression. An overview of the Great Depression is provided.
- Chapter 23 examines the international economy and identifies the impact of global recessions. The 1997 Asian financial crisis is cited as an example.

6.2 Markets and the Functions of Governments

- A. Analyze the flow of products, resources and money in a mixed economy.

- *Chapter 2 describes how the factors of production interact in a mixed economy. This concept is illustrated with a graphic.*
- *Chapter 3 compares and contrasts traditional, market, command and mixed economies. Web links are available to the biographies of influential philosophers and the texts of their most famous works.*

B. Evaluate the operation of noncompetitive markets.

- *Chapter 3 differentiates between traditional, market, command and mixed economies. A detailed comparison of capitalism, socialism and communism is provided and Web links are available to the biographies of influential philosophers, such as Adam Smith and Karl Marx, and the complete texts of their most important works.*
- *Chapter 9 defines monopolies and explains the impact of noncompetitive markets. The government's role in protecting consumers from monopolistic practices is discussed and links are provided to the complete texts of U.S. antitrust legislation, such as the Sherman Antitrust Act and the Robinson-Patman Act.*

C. Analyze policies designed to raise or lower interest rates and how the Federal Reserve Board influences interest rates.

- *Chapter 11 describes how the Federal Reserve Board influences interest rates. Web links to all branches of the Federal Reserve System are available for more research.*
- *Chapter 17 explains how the Federal Reserve Board uses monetary policy, including the practice of raising or lowering interest rates, to maintain a stable economy. Links to related articles and Web sites are available for information on current monetary and fiscal policy decisions.*

D. Evaluate changes in economic institutions over time (e.g., stock markets, non-government organizations).

- *Chapter 7 examines the role of stock and commodities markets in the economic system. Changes over time can be evaluated through Web links to major 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.*

E. Predict how changes in supply and demand affect equilibrium price and quantity sold.

F. Identify and analyze forces that can change price.

- Government actions
- Weather conditions
- International events

- *Chapter 8 defines the laws of supply and demand and explains how they affect equilibrium price and quantity sold. Forces that can change price are also identified. Graphics are provided to better illustrate these concepts.*
- *Chapter 23 explains how international events can impact prices. The 1997 Asian financial crisis is cited as an example and the influence of the currency exchange rate is discussed. A Web link is available to a program that can calculate current exchange rates for foreign currencies.*

G. Evaluate types of tax systems.

- Progressive
- Proportional
- Regressive

- *Chapter 13 identifies different types of tax systems. Progressive taxation, proportional taxation and regressive taxation are all defined. A Web link to the Internal Revenue Service is provided for current information on U.S. tax law.*

H. Evaluate the economic roles of governments.

- Macroeconomics (e.g., tariffs and quotas, exchange rates, trade balance)
- Microeconomics (e.g., price controls, monopolies, cartels)

- *Chapter 9 identifies the role of governments to regulate businesses to prevent monopolistic practices. Links to the complete texts of influential government legislation, such as the Sherman Antitrust Act and the Robinson-Patman Act, are provided.*
- *Chapter 12 explores the economic roles of government. Web links are available to various governmental agencies such as the Federal Trade Commission and the Food and Drug Administration.*
- *Chapter 22 explains the role of government to monitor and promote international trade. The terms trade balance, tariffs and quotas are defined. Web links to international trade organizations, such as the European Union and the North American Free Trade Agreement, are provided.*

I. Evaluate government decisions to provide public goods

- *Chapter 1 differentiates between the public and private sector and explains how it is the responsibility of governments to provide goods and services that the private sector is unable or unwilling to supply.*

- Chapter 12 explores government decisions to provide public goods in the context of the budget-making process. Web links are available to influential governmental agencies, such as the Office of Management and Budget and the Congressional Budget Office.

- J. Evaluate the social, political and economic changes in tax policy using cost/benefit analysis.

- Chapter 13 explores issues associated with taxation. The concept of a fair tax is debated and a link to the Glossary provides a definition of cost/benefit analysis.
- Chapter 20 explores the impact of tax policies on federal subsidies. The cost and benefit of government programs are compared. Web links are provided to governmental agencies, such as the Social Security Administration.

- K. Analyze the impact of media on decision-making of consumers, producers and policymakers.

- Chapter 4 explores the influence of the media on consumers. The way producers use advertisements to influence consumers is discussed. A Web link to the American Advertising Museum provides a history of advertisements in America and their impact on American culture.

- L. Analyze how policies and international events may change exchange rates.

- Chapter 23 explains how policies and international events impact exchange rates. Richard Nixon's decision to abandon the gold standard in 1971 and the 1997 Asian financial crisis are cited as examples. A Web link to a program that provides information on current exchange rates is available for comparative purposes.

6.3. Scarcity and Choice

- A. Analyze actions taken as a result of scarcity issues in the regional, national and international economies.
- B. Evaluate the economic reasoning behind a choice.
- C. Evaluate the allocation of resources used to produce goods and services.
- D. Evaluate regional, national or international economic decisions using marginal analysis.
- E. Analyze the opportunity cost of decisions by individuals, businesses, communities and nations.

- *Chapter 2 explains how economics deals with the allocation of scarce resources. The reasoning behind economic choice is discussed and opportunity cost is defined. Graphics are provided to better illustrate these concepts.*

- F. Evaluate in terms of marginal analysis how incentives influence decisions of consumers, producers and policy makers.

- *Chapter 4 explains how incentives influence consumers. The concept of consumer protection is discussed and Web links to consumer protection organizations are provided.*

- *Chapter 7 explains how incentives influence producers. The role of the entrepreneur is discussed and Web links are available to biographies of influential entrepreneur's such as Ray Kroc, the founder of McDonald's and Bill Gates, the founder of Microsoft.*

6.4 Economic Interdependence

- A. Analyze how specialization may increase the standard of living.
- B. Analyze the relationships between trade, competition and productivity.
- C. Evaluate how a nation might benefit by lowering or removing trade barriers.
- D. Explain how the location of resources, transportation and communication networks and technology have affected international economic patterns.
- E. Analyze how United States consumers and producers participate in the global production and consumption of goods or services.
- F. Evaluate how trade is influenced by comparative advantage and opportunity costs.
- G. Evaluate characteristics and distribution of international economic activities.
- Primary – extractive industries (i.e., farming, fishing, forestry, mining)
 - Secondary – materials processing industries (i.e., manufacturing)
 - Tertiary – service industries (e.g., retailing, wholesaling, finance, real estate, travel and tourism, transportation)

- *Chapter 22 explores issues associated with foreign trade. Concepts such as specialization, comparative advantage and opportunity cost are defined and the benefits and drawbacks to trade barriers are discussed. The impact that location of resources, transportation and technology has on international economic patterns is also mentioned, as is the role of consumers and producers in the global production and consumption of goods and services.*

6.5 Work and Earnings

- A. Analyze the factors influencing wages.
- Demand for goods and services produced

- Labor unions
- Productivity
- Education/skills

- Chapter 10 explores issues associated with labor. Factors that influence wages are discussed and the role of labor organizations is considered. Web links are available to major U.S. labor unions, such as the AFL-CIO and the Teamsters.

- B. Evaluate how changes in education, incentives, technology and capital investment alter productivity.

- Chapter 7 identifies factors that alter productivity. The law of diminishing returns is discussed, as is the influence of capital investment. Graphics are provided to help illustrate these concepts.

- C. Analyze the costs and benefits of organizing a business as a sole proprietorship, partnership or corporation.
 D. Analyze the role of profits and losses in the allocation of resources in a market economy.

- Chapter 7 explores the role of businesses in an economic system. The terms sole proprietorship, partnership and corporation are defined. The role of profits and losses in the allocation of resources is also discussed. Links to related articles and Web sites are available for further research.

- E. Compare distribution of wealth across nations.

- Chapter 14 identifies economic indicators, such as the gross domestic product (GDP) and the human development index (HDI), that are used to compare wealth across nations. Web links are available for current GDP and HDI statistics.
- Chapter 18 explores the distribution of wealth in an economic system. Current statistics on the distribution of wealth in the United States are available.
- Chapter 24 discusses the plight of developing countries and examines how developed countries provide aid to improve the distribution of wealth in less developed countries. Web links to international aid organizations, such as the U.S. Agency for International Development and the Grameen Bank, are provided.

- F. Assess the impact of entrepreneurs on the economy.
 G. Analyze the risks and returns of various investments.
- Stocks
 - Bonds

- Mutual funds
- Savings bonds
- Retirement savings (e.g., Individual Retirement Account (IRA), Keogh, 401K)
- Savings accounts (e.g., passbook, certificate of deposit)

- Chapter 7 explores the impact of entrepreneurs on the economy. The term entrepreneur is defined and Web links are available to biographies of influential entrepreneurs such as Ray Kroc, the founder of McDonald's, and Bill Gates, the founder of Microsoft. This chapter also examines the risks and returns of various investments. Concepts such as stocks, bonds and mutual funds are defined. Web links are provided to major stock markets around the world, including the New York Stock Exchange, the London Stock Exchange and the Tokyo Stock Exchange, for further research.

H. Evaluate benefits and costs of changes in interest rates for individuals and society.

- Chapter 11 identifies the costs and benefits of changes in interest rates. The role of the Federal Reserve System is discussed and Web links are available to all branches of the Federal Reserve.
- Chapter 17 describes how the Federal Reserve System changes interest rates to stabilize the economy. Links to related articles and Web sites are available for current information on monetary policy decisions.