



Alabama Classroom Improvement Curriculum—Social Studies

What Citizens Need to Know About Economics
addresses Alabama Classroom Improvement Curriculum for the economics
component of the social studies curriculum grade 12.



Twelfth Grade

Principles of Economics

Twelfth Grade Economics provides students with detailed knowledge in the workings of modern-day economic systems, in particular the American capitalist system. Students acquire information about basic economic concepts and skills in the interpretation of graphic economic data. Students apply information and skills to the analysis of issues and problems in contemporary economic systems.

The Principles of Economics core content may be delivered in courses that use a theoretical or applied focus as long as the content standards are accomplished. Courses based on the Principles of Economics core may be applied toward the Alabama High School Diploma with Advanced Academic Endorsement.

Basic Economic Concepts

Students will:

1. Explain the basic elements of economics.
 - Scarcity
 - Opportunity costs
 - Productive resources
 - Economic goods and services
 - Cost/benefit analysis
 - Economic growth

- *Chapter 1 describes basic elements of economics such as the differences between economic goods and services. Links to related articles and Web sites are included for further information.*
- *Chapter 2 explains basic economic principles, such as scarcity, opportunity costs and the factors of production (productive resources). A description and graphic of the production possibilities curve is included to demonstrate the interaction between scarcity, choice and opportunity costs.*
- *Chapter 15 examines issues associated with economic growth. Factors that determine economic growth are identified and problems of growth are explored. Terms, such as cost/benefit analysis, are defined. Links to related articles and Web sites explore issues associated with economic growth.*

2. Compare the three types of economic systems.
 - Traditional economy
 - Command economy
 - Market economy
3. Describe the ways economic systems answer the basic economic questions.
 - What and how much to produce?
 - How is it produced?
 - For whom is it produced?
4. Compare various economic systems as they exist in selected nations.
Examples: Japan, Germany, nations of the former Soviet Union and Eastern Bloc, People's Republic of China, Cuba, Mexico, Canada, United Kingdom
5. Evaluate the characteristics of a market economy.
 - Private property
 - Freedom of enterprise and choice
 - Self-interest as primary motivator
 - Competition
 - Price system
 - Limited role of government

- Chapter 3 identifies and compares different economic systems. Traditional, command and market economies are defined and specific examples are provided for each. The characteristics of market economies, including private property, self-interest, competition and the role of government, are identified and compared to other types of economies. A comparison of capitalism, socialism and communism is also included and Web links are provided to biographies of famous economic philosophers, such as Adam Smith and Karl Marx, and the complete texts of their most famous works. Links also include descriptions of various economic systems, as they exist in other nations, for comparative purposes.

6. Explain the basic elements of market operation.
 - Voluntary exchange
 - Demand and its determinants
 - Supply and its determinants
 - Equilibrium price and quantity
7. Predict the effects of changes in demand and supply on markets and market participants.

- Chapter 3 explains how voluntary exchange is a basic element of market operations. The concept originated by Adam Smith that an "invisible hand" guides the market place is discussed. This concept claims that with a voluntary exchange of goods and services, individuals acting in their own self-interest will make economic choices that benefit the entire economic system. Biographies of influential philosophers and the complete texts of their famous treatises are provided, including Adam Smith and his book Wealth of Nations.

- *Chapter 8 describes the laws of supply and demand and explains how they can be used to predict the effects of changes in demand and supply on markets and market participants. Graphics and examples are provided. An activity for this chapter in the Educator's Guide recommends students create their own graphs demonstrating changes in supply and demand for a specific product.*

Market Participants

8. Evaluate the role of consumers in a market economy.
9. Analyze the costs and benefits of consumer decisions.
Examples: making purchases, going into debt, saving, investing

- *Chapter 4 describes the role of consumers in a market economy. The interaction between consumers and producers is discussed and illustrated with a graphic. Terms, such as caveat emptor and diminishing utility, are defined. The cost and benefit of consumer decisions are explored and links are included to consumer protection Web sites maintained by the government and consumer watchdog groups.*
- *Chapter 6 explores the consequences of consumer choices in the context of debt and credit. Terms, such as debt and bankruptcy, are defined. The way households create budgets to achieve future economic goals is described and illustrated with a graphic.*

10. Evaluate the factors that influence the levels of household consumption and saving.
 - Taxes
 - Interest rates

- *Chapter 4 describes the factors that influence the levels of household consumption. Concepts, such as caveat emptor and diminishing utility, are defined. The interaction between businesses and consumers in determining what and how much is produced and at what cost is discussed and illustrated with a graphic.*
- *Chapter 5 explains how the cost of living influences household consumption. Key concepts and terms, such as inflation and deflation, are defined. The consumer price index (CPI) is identified and a Web link includes current CPI statistics.*
- *Chapter 6 explains how interest rates impact household consumption. Managing debt is stressed and concepts such as maintaining a budget are discussed. A worksheet for creating a personal budget is included in this chapter.*

- *Chapter 13 explains how taxes influence levels of household consumption. The concept of a fair tax is described and terms, such as progressive, regressive and proportional taxation are defined. A Web link is included to the Internal Revenue Service for current information on U.S. tax policy.*
- *Chapter 17 explains how the government can change interest rates or taxes to influence household consumption and stabilize the economy. Terms, such as fiscal and monetary policy, are defined. Links to related articles and Web sites provide current information on U.S. fiscal and monetary policy decisions and the consequences of those decisions.*

11. Describe the basic elements of the labor market.
 - Civilian labor force
 - Supply of labor
 - Demand for labor
 - Wage determinants
12. Assess the impact of labor unions on the American economy.
13. Evaluate the impact of government regulation on business and labor relations.
Examples: Wagner Act, Taft-Hartley Act, Landrum-Griffin Act, Norris-LaGuardia Act, wage and hour law, Equal Employment Opportunity Act
14. Evaluate the causes for variations in wages.
Examples: occupation, education, skill, location, gender, race

- *Chapter 10 describes the basic elements of the labor market and assesses the impact of labor unions on the American economy. The way that supply and demand impacts the job market is discussed and wage determinants, such as occupation, education, skill and location, are described. The pay disparities of minorities and women are addressed. The impact of government regulation on business and labor relations is also explained and links are included to the complete texts of important governmental legislation, such as the Equal Employment Opportunity Act, the Taft-Hartley Act and the Norris-LaGuardia Act. Links are also included to the Web sites of major labor organizations, like the AFL-CIO and the Teamsters.*
- *Chapter 19 explains how unemployment affects the labor market and economy as a whole. Wage determinants are addressed and the impact on women and minorities is described. Concepts, such as displaced workers and underemployed workers, are defined. Web links include current statistics on the U.S. unemployment rate.*

15. Compare the various types of business organizations and market structures.
16. Analyze the costs and benefits of entrepreneurial decisions.
Examples: going into business, employing resources, expanding production, developing new products and production techniques, shutting down production

- *Chapter 7 describes the various types of business organizations, including sole proprietorships, partnerships and corporations. The interaction between corporations and the stock market is discussed. The role of the entrepreneur is also explored and costs and benefits of entrepreneurial decisions are addressed. Web links include biographies of influential entrepreneurs, such as Ray Kroc, the founder of McDonald's, and Bill Gates, the founder of Microsoft. Other Web links are included to the major stock exchanges around the world, including the New York Stock Exchange, the London Stock Exchange and the Tokyo Stock Exchange.*

17. Explain the functions of government in the American economy.

- Providing a legal system
- Promoting competition
- Correcting for externalities
- Providing public goods
- Ensuring economic stability

- *Chapter 9 addresses the function of government to promote competition. Key concepts and terms, such as pure competition, monopoly and oligopoly, are defined. Links are included to the complete texts of major government legislation, such as the Sherman Antitrust Act and the Robinson-Patman Act.*
- *Chapter 12 explains the functions of government in the American economy. The roles of government to provide public goods and regulate the economy are discussed. Concepts like externalities are explored. Web links are included to many government regulatory agencies, such as the Federal Trade Commission and the Securities and Exchange Commission.*
- *Chapter 17 describes the functions of the government to stabilize the economy. The differences between fiscal and monetary policies are identified and links to related articles and Web sites include current fiscal and monetary policy decisions of the federal government and their impact on the economy.*

18. Describe taxation at the federal, state, and local levels.

- Functions
- Principles
- Systems

- *Chapter 13 describes taxation at the federal, state, and local levels. The functions, systems and principles of taxation are addressed. Terms, such as progressive, regressive and proportional taxation, are defined. The concept of a fair tax is debated and the criteria for assessing taxes are identified. A Web link to the Internal Revenue Service is included for current information on U.S. tax policy.*

19. Analyze the costs and benefits of public policy decisions.

Examples: income redistribution, tax increases/cuts, deficit financing, providing public goods, regulation/deregulation of business, growth in government expenditures, use of price controls

- *Chapter 12 explains how policymakers must use cost/benefit ratios to determine the impact of governmental legislation. The federal budget-making process is described and Web links are included to major government organizations involved in the process, such as the Office of Management and Budget and the Congressional Budget Office. The regulation of business is also discussed and Web links are included to major government regulatory agencies, such as the Environmental Protection Agency and the Occupational Safety and Health Administration.*
- *Chapter 13 explores the costs and benefits of different tax policies. Different types of taxes—progressive, proportional and regressive—are defined. The debate over a fair tax is discussed and links to related articles and Web sites provide opposing views on this subject.*
- *Chapter 17 examines costs and benefits of government policy decisions aimed at stabilizing the economy. The differences between fiscal and monetary policies are identified and links to related articles and Web sites include current information on U.S. fiscal and monetary policies.*
- *Chapter 20 identifies government programs aimed at redistributing income. Different federal subsidy programs are highlighted and the costs versus the benefits of these programs are debated. Web links are included to the agencies that oversee such programs as Social Security, Head Start, Medicare and Medicaid.*
- *Chapter 21 evaluates the costs and benefits of price controls for American agriculture. The impacts of price controls on domestic and international markets are explored. Links to related articles and Web sites are included for further research.*

Macroeconomic Concepts and Controversies

20. Describe the methods by which the United States measures domestic output, national income, and the price level.

- Gross National Product (GNP)
- Gross Domestic Product (GDP)
- National Income (NI)
- Personal Income (PI)
- Disposable Income (DI)
- Price Indexes

- *Chapter 1 describes major economic indicators that the government measures to assess the health of the economy. Major economic indicators are identified, including gross domestic product, consumer price index, and personal income. The change from calculating gross national product to calculating gross domestic product is also explored. Web links are included for current statistics from the government.*
- *Chapter 5 explains how price indexes, like the consumer price index (CPI), are calculated and explains how the CPI reflects the current cost of living. Web links are included for current CPI statistics.*
- *Chapter 14 describes the methods by which the government measures domestic output and national income. Concepts, such as gross domestic product, national income, personal income and disposable income, are defined. Web links are included for current statistics on domestic output and national income.*

21. Explain the basic elements of business fluctuations.

- Phases
- Causes
- Indicators

- *Chapter 16 examines the phases of the business cycle and explores its causes, indicators and impact on individuals. Terms, such as recession and depression, are defined and an oral history of the Great Depression is presented to show how the business cycle impacts individuals.*

22. Analyze the causes and costs of unemployment and inflation.

- *Chapter 5 explains the causes and costs of inflation. Terms like inflation, cost of living and deflation are all defined. The way that the consumer price index (CPI) measures inflation is described and Web links include current CPI statistics from the government.*
- *Chapter 17 describes the interaction between inflation and unemployment. The way the government should respond to these issues with monetary or fiscal policies is debated. Graphics are included to demonstrate the relationship between inflation and unemployment.*
- *Chapter 19 explores the causes and costs of unemployment. Key concepts, such as displaced workers, underemployed workers and structural unemployment, are defined. Web links include current statistics on unemployment in the United States.*

23. Explain the role of money in the economy.

- Functions
- Types
- Money supply
- Impact

24. Describe the structure and functions of the American banking system.

- Chapter 11 explains the role of money and banks in the economy. A history of money from barter to electronic funds transfers is included. The functions and structure of the American banking system are addressed. Types of money are identified and the different aspects of the money supply are described. The impact of changes to the money supply is explored and the role of the Federal Reserve System is examined. Web links are included to all branches of the Federal Reserve.

25. Analyze the costs and benefits of fiscal and monetary policy decisions.

26. Compare various alternative macroeconomic theories.

- Keynesianism
- Monetarism
- Rational expectations
- Supply-side economics

- Chapter 8 identifies alternative macroeconomic theories and explores how rational human behavior influences economic choices. The game theory is explored and a Web link includes a biography of John Forbes Nash, Jr., who won the Nobel Prize in Economics for his work on game theory.
- Chapter 17 explores the costs and benefits of fiscal and monetary policy decisions. Terms such as deficit financing and open market operations are defined. Links to articles and Web sites include current information on U.S. fiscal and monetary policy decisions. Different macroeconomic theories are explored including Keynesianism, monetarism and supply-side economics. Links to related articles and Web sites provide opposing views on macroeconomic theories.

27. Explain the basic elements of international trade.

- Distribution of world resources
- Absolute and comparative advantage
- Exchange rates
- Balance of trade
- Balance of payments

28. Analyze the costs and benefits of trade between nations.

- Unrestricted trade
- Restricted trade

- *Chapter 22 explores many aspects of international trade including how it impacts the distribution of world resources, balance of trade and the debate between free trade and protectionism. Terms, such as comparative advantage, tariff and quota, are defined. A history of U.S. trade policy is examined and Web links are included to major regional trade associations, such as the North American Free Trade Agreement and the European Union.*
- *Chapter 23 examines the interdependence of the global economy. Concepts such as balance of payments and exchange rates are explored. A Web link is included to a program that calculates the current exchange rate for the U.S. dollar and other currencies for comparative purposes.*

29. Evaluate the impact of developing nations on the global economy.

- *Chapter 24 explores the impact of developing nations on the global economy and the role of developed nations to provide aid to developing nations. Concepts, such as brain drain and standard of living, are defined. Web links are included to international aid organizations, like the U.S. Agency for International Development and the Grameen Bank.*