



Arizona Content Standards—Social Studies

What Citizens Need to Know About Economics
addresses Arizona Content Standards for the economics component of the social studies curriculum grades 9-12 and Distinction—Honors.



STANDARD 4: ECONOMICS

Students develop economic reasoning skills to apply basic economic concepts, assess problems, make choices, and evaluate the choices of others as consumers, workers, and citizens participating in local, national, and global economies.

(Proficiency Grades 9-12)

- **4SS-P1. Analyze the implications of the economic problem of scarcity, with emphasis on:**
 - PO 1. how limited resources and unlimited human wants cause individuals, governments, and nations to choose some things and give up others
 - PO 2. the factors of production--land, labor, capital and entrepreneurship--and how they are used in production
 - PO 3. how producers, consumers, savers, and investors make decisions by analyzing anticipated marginal benefits and costs that usually involve trade-offs (marginal analysis)

- *Chapter 2 explores economic choice and describes how limited resources and unlimited wants cause individuals and nations to choose some things and give up others. The production possibilities curve is explained and its use to determine costs and benefits is explored. The options to spend time watching television or studying for an exam are cited of examples of trade-offs. A graphic of the production possibilities curve is included for illustrative purposes. This chapter also describes the factors of production as being land, labor, capital and management (entrepreneurship). The interaction of the factors of production to produce goods and services is explained and illustrated with a graphic. Links to related articles and Web sites are included for further research into these and other topics.*
- *Chapter 7 describes how producers analyze marginal costs and benefits when making economic decisions. The law of diminishing utility is explained and a graphic is included to illustrate this principle.*
- *Chapter 12 explains how governments create cost/benefit ratios to determine what programs to fund with the national budget. Web links are included to government agencies that are involved in the budget-making process, including the Congressional Budget Office and the Office of Management and Budget.*

- *Chapter 15 describes how policy-makers use cost/benefit analysis to address problems associated with economic growth. Links to related articles and Web sites are included for further research and specific examples.*

● **4SS-P2. Use economic concepts, theories, principles, and quantitative methods to analyze current events, with emphasis on:**

PO 1. using tables, graphs, equations, diagrams, and charts to interpret economic information, including the inflation rate, unemployment rate, and economic growth rate

- *Chapter 1 explains how economists use tables, graphs, equations, diagrams and charts to interpret economic information. Examples of these tools are provided and graphics are included to illustrate the different economic tools. Economic indicators that determine the health of the economy, including inflation rates (consumer price index), unemployment rates and economic growth rates (gross domestic product), are identified and Links to related articles and Web sites provide the most current statistics on the state of the economy.*

- *Learning tools, linked to every chapter, provide worksheets that educate students on how to interpret data. A specific learning tool, Analyzing Charts and Graphs, deals with interpreting data from tables, graphs, equations, diagrams and charts.*

- *Many activities in the Educator's Guide involve students creating charts and graphs from the data that they research.*

PO 2. using production possibilities curves to illustrate opportunity costs and trade-offs

- *Chapter 2 describes the production possibilities curves and explains how it illustrates opportunity costs and trade-offs. Concepts, such as opportunity costs and scarcity, are defined. A graphic of the production possibilities curve is included to help illustrate the relationship between opportunity costs and trade-offs. Links to related articles and Web sites include specific examples of opportunity costs and trade-offs.*

PO 3. evaluating the economic implications of current events as found in such sources as magazine articles, newspaper articles, radio and television reports, editorials, and Internet sites

- *Links to related articles and Web sites with each chapter identify current events related to the topics described in the chapters. Links include reports from magazines, newspapers, editorials, radio, television and Internet sites.*

● **4SS-P3. Describe how households and firms are interdependent and how their relationship is affected by trade, exchange, money, and banking, with emphasis on:**

PO 1. why voluntary exchange occurs only when all participating parties expect to gain from the exchange

- Chapter 3 describes the importance of voluntary exchange in a market economic system. Adam Smith's concept of an "invisible hand" that guides the marketplace is explained. Web links are included to biographies of Adam Smith and other economic philosophers and the complete texts of their most influential works, including the Wealth of Nations.

PO 2. the role and interdependence of households, firms, and government in the circular flow model of economic activity

- Chapter 4 explores the interdependence of households and firms and explains how consumers influence production. A graphic is included to illustrate this concept and links to related articles and Web sites are available for further research.

- Chapter 14 defines the circular flow of money principle and explains how households, firms and government are interdependent. Graphics are provided to illustrate this concept.

- Chapter 23 examines the interdependence of the global economy and explains how decisions by one nation's government can impact the entire global economic system. The U.S. decision to abandon the gold standard in 1971 and the 1997 Asian financial crisis are cited as examples. Web links are included to international organizations that operate in the global economy, including the World Trade Organization and the International Monetary Fund.

PO 3. the role of entrepreneurs in a market economy and how profit is an incentive that leads entrepreneurs to accept the risks of business failure

PO 4. the role of financial institutions and securities markets

- Chapter 7 explores the role of entrepreneurs, financial institutions and securities markets in an economic system. Incentives, including profits and property rights, that lead entrepreneurs to accept risks are described. Links are included to biographies of successful entrepreneurs, including Ray Kroc, the founder of McDonald's, and Bill Gates, the founder of Microsoft. The role of financial institutions and securities markets, such as commodity and stock exchanges, are also identified and Web links are provided to exchanges around the world, including the Chicago Mercantile Exchange, the New York Stock Exchange and the London Stock Exchange.

- Chapter 11 highlights the role of banks in an economic system. Different types of banks are identified and the role of the Federal Reserve System is described. Web links are included to all branches of the Federal Reserve.

● **4SS-P4. Analyze the similarities and differences among economic systems, with emphasis on:**

- PO 1. the characteristics of market, command, and mixed economic systems, including roles of production, distribution, and consumption of goods and services
- PO 2. the benefits and costs of market and command economies
- PO 3. the characteristics of a mixed-market economy of the United States, including such concepts as private ownership, profit motive, consumer sovereignty, competition, and government regulation
- PO 4. the role of private property in conserving scarce resources and providing incentives in a market economy
- PO 5. how the incentives inherent in a market economy preserve political and economic freedom

- Chapter 3 identifies the characteristics of traditional, command, market and mixed economies. The roles of production, distribution and consumption of goods and services, the benefits and costs of different economic systems, and concepts such as private ownership and profit motives are all addressed. Issues dealing with political and economic freedoms are explored. A comparison of capitalism, socialism and communism is also presented and biographies of influential philosophers, such as Adam Smith and Karl Marx, are included along with the complete texts of their most famous works.

- Chapter 4 explores the role of consumers in market economies and concepts, such as caveat emptor and diminishing utility are defined. Links to related articles and Web sites provide more information on the role of consumers in market economies and address issues related to consumerism and consumer protection.

- Chapter 7 identifies incentives in a market economy, such as property rights and profit that encourage entrepreneurs to take risks. Links are included to biographies of successful businesspersons, such as Ray Kroc, the founder of McDonald's, and Bill Gates, the founder of Microsoft.

- Chapter 9 examines competition in market systems. Key concepts and terms, including pure competition, monopoly and oligopoly, are defined. The role of government to regulate competition is explored and links are included to the complete texts of important government legislation, such as the Sherman Antitrust Act and the Robinson-Patman Act.

- Chapter 12 describes the role of government to regulate business in market economies. Web links are included to many regulatory agencies, including the Securities and Exchange Commission, the Environmental Protection Agency and the Food and Drug Administration.

● **4SS-P5. Describe the basic principles of microeconomics, with emphasis on:**

- PO 1. supply, demand, and their determinants
- PO 2. how a market price is determined
- PO 3. interpreting graphs that demonstrate changes in supply and demand

- Chapter 8 describes the laws of supply and demand and explains how market price is determined. Graphs that demonstrate changes in supply and demand are included to illustrate those principles. An activity for this chapter in the Educator's Guide involves students creating their own graphs and charts to demonstrate changes in supply and demand for a product.

- PO 4. how price ceilings and floors cause shortages or surpluses

- Chapter 21 describes how price ceilings and floors are used to impact the supply and cost of a product in the context of price supports for American agricultural producers. The effects of these and other price supports on domestic and international markets are explored and the debate over how to protect American farmers from overseas competitors and environmental disasters is presented. Links to related articles and Web sites include opposing views of this debate.

- PO 5. comparing and contrasting monopoly and competitive behaviors

- Chapter 9 explores competition in the marketplace. Key terms like pure competition, monopoly and oligopoly are defined. The role of government to regulate unfair business practices is explored and the case against Microsoft is cited as an example of the government's response to monopolistic practices. Links are included to the full-text of important government legislation, such as the Sherman Antitrust Act and the Robinson-Patman Act.

● **4SS-P6. Evaluate the economic role of government in the mixed-market economy of the United States, with emphasis on:**

- PO 1. how the benefits of government policies must be compared to the costs before determining which policies to adopt
- PO 2. the revenue of and spending by federal, state, and local governments in providing national defense, addressing environmental concerns, defining and enforcing property rights, regulating markets, and providing other goods and services

- *Chapter 1 differentiates between the public and private sectors of the economy and explains how it is the responsibility of government to provide goods and services that the private sector is unwilling or unable to provide. The interaction of the public and private sector is explored and Links to related articles and Web sites include specific examples.*
- *Chapter 12 examines the role of government in an economic system. The use of cost/benefit ratios to determine which policies to adopt are discussed and revenue and spending issues of the federal, state and local governments are addressed. The roles of governments to provide for national defense, address environmental concerns and regulate markets are explored. The budget-making process is highlighted and Web links are included to government agencies involved in the budget-making process, such as the Office of Management and Budget and the Congressional Budget Office. Other Web links are included to government regulatory agencies, such as the Environmental Protection Agency, the Securities and Exchange Commission and the Occupational Safety and Health Administration.*

PO 3. the effects of progressive, proportional, and regressive income taxes on different income groups

- *Chapter 13 explores issues associated with taxation. Different types of taxation—progressive, proportional and regressive—are defined and the impact on different income groups is addressed. The concept of a fair tax is debated and the criteria for a fair tax are highlighted. Links to related articles and Web sites include opposing views of the fairness of U.S. tax policy and a link is included to the Internal Revenue Service for current information on U.S. tax policy.*

PO 4. the role of self-interest in decisions of voters, elected officials, and public employees

- *Chapter 3 describes the role of self-interest in economic decisions, in the context of Adam Smith's concept of an "invisible hand" that guides the marketplace, which explains how individuals acting in their own self-interest will make economic decisions that benefit the society as a whole. Web links include biographies of Adam Smith and other economic philosophers and the complete texts of their most influential works, such as The Wealth of Nations.*

● **4SS-P7. Describe the basic principles of macroeconomics, with emphasis on:**

- PO 1. how inflation, unemployment, and gross domestic product statistics are determined and used in policy decisions
- PO 2. the effects of inflation and deflation on different groups
- PO 3. the economic and non-economic consequences of unemployment

- *Chapter 1 describes how economic indicators, such as inflation, unemployment and gross domestic product, are calculated and used in policy decisions. Graphics are included to illustrate broad trends in these indicators over periods of time. Links to related articles and Web sites include current statistics on economic indicators.*
- *Chapter 5 explains how the consumer price index (CPI) is used to determine the current inflation or deflation rate. The accuracy of CPI is debated and the effects of CPI on different groups are explored. Graphics are provided to illustrate these concepts. Links to related articles and Web sites include current statistics on CPI and the impact on individuals and the economy as a whole.*
- *Chapter 14 identifies gross domestic product (GDP) as one of the most important economic indicators, as it determines the growth rate of the economy. The way the government calculates GDP is explored and alternatives to GDP, such as the human development index (HDI), are presented. Links to related articles and Web sites provide current GDP and HDI statistics.*
- *Chapter 19 examines how the government calculates unemployment statistics. The economic and non-economic consequences of unemployment are explored and terms, such as structural unemployment and discouraged workers, are defined. Web links include current unemployment statistics from the federal government.*

- PO 4. fiscal policy and its effects on inflation, unemployment, and economic growth
- PO 5. the functions of the Federal Reserve System and its influence on the economy
- PO 6. the effects of monetary policy on unemployment, inflation, and economic growth

- *Chapter 11 describes the functions of the Federal Reserve System and its influence over the economy. Concepts, such as reserve requirements and discount rate are defined. Web links are included to all branches of the Federal Reserve.*
- *Chapter 17 explores fiscal and monetary policy issues and the effects those policy decisions have on individuals and the economy as a whole, including the effects on unemployment, inflation and economic growth. Key concepts and terms, such as open market operations and deficit financing, are defined. Links to related articles and Web sites include current information on U.S. fiscal and monetary policy decisions and the impact on the economy.*

- PO 7. how investment in factories, machinery, new technology, and the health, education, and training of people can raise future standards of living

- *Chapter 10 describes how the health, education and training of people can raise future standards of living in the context of labor issues. Links to related articles and Web sites are provided for further research.*
- *Chapter 15 explains how investment in factories, machinery and new technology can raise future standards of living. Key terms, such as the accelerator effect and the multiplier effect, are defined. Related articles and Web sites are included for more information and specific examples.*
- *Chapter 24 identifies factors, such as investment, technology, education, training and health, which are vital for economic development. The plight of developing countries is highlighted and the roles of developed countries to provide aid and guidance are explored. Web links are included to development aid organizations, such as the U.S. Agency for International Development and the Grameen Bank.*

● **4SS-P8. Describe the affects of international trade on the United States and other nations, with emphasis on:**

- PO 1. how people and nations gain through trade
- PO 2. how the law of comparative advantage leads to specialization and trade
- PO 3. the effects of protectionism, including tariffs and quotas, on international trade and on a nation's standard of living
- PO 4. how exchange rates work and how they effect international trade
- PO 5. how the concepts of balance of trade and balance of payments are used to measure international trade
- PO 6. factors that influence the major world patterns of economic activity and economic connections among different regions, including changing alignments in world trade partners

- *Chapter 22 describes how people and nations gain through foreign trade. The way the law of comparative advantage leads to specialization and trade is explored. The effects of protectionism, including tariffs and quotas, on international trade and a nation's standard of living are debated. Links to related articles and Web sites include opposing views of the debate between free trade and protectionism. The way balance of trade is used to measure international trade is explored and factors that influence world trade patterns are identified, including changing alignments in world trade partners. A history of U.S. trade policy is presented and the rise of regional trade associations is highlighted. Web links are included to major regional trade organizations, including the North American Free Trade Agreement and the European Union.*
- *Chapter 23 explores the interdependence of the global economy brought about by the rise of international trade. Concepts such as balance of payments and exchange rates are defined. A Web link is included to a program that calculates the current exchange rate for the U.S. dollar and other currencies.*

● **4SS-P9. Apply an understanding of economics to personal financial choices, with emphasis on:**

PO 1. how education, career choices, and family obligations affect future income

- *Chapter 10 explains how education and career choices influence future income. An activity for this chapter in the Educator's Guide asks students to research future career options, identify education and training requirements and explore trends in that field, such as salaries and job opportunities. A Web link to the Occupational Outlook Handbook is provided in the chapter to assist the students in research.*
- *Chapter 18 explores the distribution of income in economic systems and identifies factors, such as education and family obligations, which affect income. Terms like middle class and working poor are defined and links to related articles and Web sites include current statistics on the distribution of income in the U.S. and the impact on individuals and society.*

PO 2. how advertising influences consumer choices

- *Chapter 4 identifies factors, such as advertising, that influence consumer choices. Key terms, such as caveat emptor and diminishing utility, are defined. The concept of consumer protection is explored and links are provided to consumer protection Web sites maintained by the government and consumer watchdog groups.*

PO 3. short- and long-term financial goals and plans, including income, spending, and saving

PO 4. the advantages and disadvantages of using various forms of credit and how payment performance determines credit history

- *Chapter 6 explores issues associated with credit and financial planning. The advantages and disadvantages of using various forms of credit and how payment performance determines credit history are addressed. Maintaining proper credit is stressed and the implications of poor credit decisions, such as bankruptcy, are highlighted. Short-term and long-term financial goals and plans are addressed and the concept of creating a budget is explained. An activity for this chapter in the Educator's Guide involves creating a personal budget to achieve a long-term goal. A downloadable graphic of a personal household budget is included and can be used as a worksheet to complete this activity.*

PO 5. the risk, return, and liquidity of short- and long-term saving and investment strategies

PO 6. investment options, including stocks, bonds, and mutual funds available to individuals, and households

- *Chapter 7 explores investment options, including stocks, bonds and mutual funds. The short- and long-term risks and returns of these investments are explained. 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. An activity for this chapter in the Educator's Guide suggests students invest an imaginary sum of money in the stock market and track the progress of their investments over a period of time.*
- *Chapter 11 identifies investment options available through banking institutions like savings accounts. The impact of changes to interest rates are examined and the role of the Federal Reserve in determining interest rates are explored. Web links are included to all branches of the Federal Reserve System for more information on its functions and current information on interest rates.*

(Distinction - Honors)

Students know and are able to do all of the above and the following:

- **4SS-D1. Demonstrate an understanding of the principles of microeconomics at the college introductory level, with emphasis on:**

PO 1. basic economic concepts, including scarcity, the nature of economic systems, production possibilities, specialization, and comparative advantage

- *Chapter 2 explores basic economic concepts including scarcity, production possibilities and the nature of economic systems. A graphic of the production possibilities curve is included. Links to related articles and Web sites provide examples and identify current issues associated with the topics.*
- *Chapter 3 describes the nature of different economic systems and compares and contrasts traditional, command, market and mixed economies. A comparison and contrast of capitalism, socialism and communism is also included. Biographies of influential philosophers, such as Adam Smith and Karl Marx, are provided and Web links include the complete texts of their most famous works.*
- *Chapter 22 examines basic economic concepts with regard to foreign trade. Key terms like specialization and comparative advantage are defined. Links to related articles and Web sites are included for further research.*

PO 2. analysis of product markets by manipulating the supply and demand model

- Chapter 8 explores the laws of supply and demand. Manipulations to the supply and demand model are explained and illustrated with graphics. An activity for this chapter in the Educator's Guide requires students to create their own supply and demand models to reflect changes in a specific product. Alternative theories to the laws of supply and demand, such as "game theory," are presented. A Web link is included to a biography of John Forbes Nash, Jr., who won the Nobel Prize in Economics for his work on game theory.

PO 3. the costs, revenues, and profits of the individual firm, including marginal product and diminishing returns, average and marginal costs and revenues, and long-run costs and economies of scale

- Chapter 7 examines the role of businesses in economic systems. Costs, revenues and profits are explored and the law of diminishing returns is described and illustrated with a graphic. Marginal costs and revenues are explained. An activity for this chapter in the Educator's Guide involves students working in a group to develop a business strategy.

- Chapter 15 explores long-run and short-term costs of economic expansion. The accelerator effect and multiplier effect are explained and illustrated with graphics. Links to related articles and Web sites are included for further research.

- Chapter 21 defines the economies of scale concept and relates it to the costs and revenues of agricultural production. Other economic issues that are unique to agriculture, such as weather conditions impact on the laws of supply and demand, are addressed and links to related articles and Web sites are available for more information.

PO 4. comparison of product pricing and output for perfect competition, monopoly, monopolistic competition, and oligopoly

PO 5. evaluation of government policies toward monopoly behavior

- Chapter 9 explores competition in the marketplace. Concepts, such as perfect competition, monopoly and oligopoly, are defined and specific examples are given. The impact of competition on product pricing and output is discussed. Government policies toward monopolistic behavior are addressed and the case against Microsoft is cited as an example. Links are included to the complete texts of important government legislation, including the Sherman Antitrust Act and the Robinson-Patman Act.

PO 6. application of the concepts of supply and demand to markets for the factors of production, in particular how wages are determined

- *Chapter 10 explains how the laws of supply and demand influence wages. The disparity between worker pay and executive pay is explored, as is the disparity in pay for minorities and women. A link is included to the Occupational Outlook Handbook that identifies wage and demand issues for different categories of occupation. An activity for this chapter in the Educator's Guide includes researching career options and determining the wage and demand for a specific occupation.*

PO 7. the efficiency, equity, and role of government in a market economy

- *Chapter 12 explores the efficiency, equity and role of government in a market economy. Different roles of government are identified and the efficiency of government is debated. Web links are included to government agencies that monitor efficiency, such as the Congressional Budget Office and the General Accounting Office.*
- *Chapter 13 explores the equity of government taxation policies. Different types of taxation—progressive, regressive and proportional—are identified and the criteria for a fair tax are examined. Links to related articles and Web sites include opposing views on the equity of different tax policies.*

● **4SS-D2. Demonstrate an understanding of the principles of macroeconomics at the college introductory level, with emphasis on:**

PO 1. application of basic tools for measuring macroeconomic performance, including gross domestic product, price indexes, and unemployment rates

- *Chapter 1 identifies basic tools for measuring economic performance including economic indicators, such as the consumer price index, the unemployment rate and the gross domestic product. Graphics are included to illustrate broad trends in these indicators over periods of time. Links to related articles and Web sites include current statistics on economic indicators.*
- *Chapter 5 explains how the consumer price index (CPI) is used to determine the current inflation or deflation rate. The accuracy of CPI is debated and the effects of CPI on different groups are explored. Graphics are provided to illustrate these concepts. Links to related articles and Web sites include current statistics on CPI and the impact on individuals and the economy as a whole.*
- *Chapter 14 identifies gross domestic product (GDP) as one of the most important economic indicators as it determines the growth rate of the economy. The way the government calculates GDP is explored and alternatives to GDP, such as the human development index (HDI), are presented. Links to related articles and Web sites provide current GDP and HDI statistics.*

- *Chapter 19 explores how the government calculates unemployment statistics. The economic and non-economic consequences of unemployment are explored and terms, such as structural unemployment and discouraged workers, are defined. Web links include current unemployment statistics from the federal government.*

PO 2. analysis of national income and price determination using aggregate supply and aggregate demand

- *Chapter 14 provides an analysis of national income and price determination. Web links include national income and personal income statistics from the Bureau of Economic Analysis.*
- *Chapter 15 defines the concepts of aggregate supply and aggregate demand and relates them to national income, price determination and gross domestic product. Links to related articles and Web sites are included for further research and specific examples.*

PO 3. the effects of monetary and fiscal policies on inflation, unemployment, and economic growth

PO 4. analysis of economic policies that increase or decrease economic growth

PO 5. comparison of the Keynesian, monetarist, and rational expectation theories

- *Chapter 15 explores issues associated with economic growth and policies that increase or decrease economic growth are described. Problems associated with economic growth, such as pollution, are addressed and links to related articles and Web sites include specific examples.*
- *Chapter 17 explores the effects of monetary and fiscal policies on inflation, unemployment and economic growth. Different monetary and fiscal policy tools, such as deficit financing and open market operations, are explained. Links to related articles and Web sites include current information on U.S. monetary and fiscal policy decisions and the impact on economic growth. Different economic theories are explored, including the debate between Keynesian and monetarist theorists. Links to related articles and Web sites provide opposing views of these and other economic theories.*

PO 6. illustration of comparative advantage using inputs, outputs, and production-possibilities curves

- *Chapter 2 describes the production possibilities curve and identifies inputs and outputs. A graphic of the production possibilities curve is included to illustrate this concept.*
- *Chapter 22 defines the law of comparative advantage and explains how it influences trade. Links to related articles and Web sites are included for further research.*

PO 7. how monetary and fiscal policies affect exchange rates and how these exchange rates affect imports, exports, inflation, and employment.

- Chapter 23 explains how exchange rates work in the interdependent global economy. The impact of monetary and fiscal policy on exchange rates is explored and the U.S. decision in 1971 to abandon the gold standard and the 1997 Asian financial crisis are cited as examples. The impacts of exchange rates on imports, exports, inflation and employment are addressed. A Web link is included to a program that calculates and compares current exchange rates for the U.S. dollar and other currencies.