



California History—Social Science Content Standards

What Citizens Need to Know About Economics
addresses California History—Social Science Content Standards for the economics
component of the social science curriculum grade 12.



Principles of Economics

12.1 Students understand common economic terms and concepts and economic reasoning.

1. Examine the causal relationship between scarcity and the need for choices.

- *Chapter 2 explores the relationship between scarcity and the need for choices. Graphics are provided to help illustrate this concept.*

2. Explain opportunity cost and marginal benefit and marginal cost.

- *Chapter 12 explains the concepts of opportunity cost and the cost/benefit ratio in the context of the governmental budget decision-making process. Web links are available to major governmental organizations, such as the Office of Management and Budget and the Congressional Budget Office.*

3. Identify the difference between monetary and nonmonetary incentives and how changes in incentives cause changes in behavior.

- *Chapter 3 identifies the role of incentives in different economic systems, including traditional, command, market and mixed economies.*
- *Chapter 7 explores incentives to entrepreneurs in a market economy. Famous American entrepreneurs, such as Ray Kroc, the founder of McDonald's, and Bill Gates, the founder of Microsoft, are cited as examples and Web links provide biographical information on these and other successful entrepreneurs.*

4. Evaluate the role of private property as an incentive in conserving and improving scarce resources, including renewable and nonrenewable natural resources.

- *Chapter 2 explores the importance of natural resources and other factors of production in an economic system. Web links provide current statistics on natural resources in the United States and abroad.*
- *Chapter 3 identifies property rights as an important aspect that differentiates capitalism from socialism and communism. Links to related articles and Web sites are provided for further research.*

5. Analyze the role of a market economy in establishing and preserving political and personal liberty (e.g., through the works of Adam Smith).

- *Chapter 3 compares market economies to traditional, command and mixed economies. The economic theories of capitalism, communism and socialism are discussed and important economic philosophers, such as Adam Smith and Karl Marx, are identified. Web links provide biographies of these philosophers and the complete texts of their most influential works.*

12.2 Students analyze the elements of America's market economy in a global setting.

1. Understand the relationship of the concept of incentives to the law of supply and the relationship of the concept of incentives and substitutes to the law of demand.
2. Discuss the effects of changes in supply and/or demand on the relative scarcity, price, and quantity of particular products.

- *Chapter 8 defines the law of supply and law of demand. Graphics are provided to help illustrate these concepts.*

3. Explain the roles of property rights, competition, and profit in a market economy.

- *Chapter 3 identifies property rights, competition and profit as three factors that differentiate capitalistic market economies from command or traditional economies. An in-depth comparison of capitalism, socialism and communism is provided.*

4. Explain how prices reflect the relative scarcity of goods and services and perform the allocative function in a market economy.

- *Chapter 1 explains how prices reflect the scarcity of goods and services and perform an allocative function in market economies.*

5. Understand the process by which competition among buyers and sellers determines a market price.

- Chapter 9 explores how competition influences buyers and sellers. Concepts such as monopoly and oligopoly are defined.

6. Describe the effect of price controls on buyers and sellers.

- Chapter 21 describes how price controls effect buyers and sellers. The effect of price controls on the production and distribution of agricultural products is cited as an example.

7. Analyze how domestic and international competition in a market economy affects goods and services produced and the quality, quantity, and price of those products.

- Chapter 9 explores how competition influences buyers and sellers. Concepts such as monopoly and oligopoly are defined.

8. Explain the role of profit as the incentive to entrepreneurs in a market economy.

- Chapter 7 discusses the role of businesses and entrepreneurs in a market economy. The role of profit is discussed and terms such as entrepreneur are defined. Web links provide biographies of influential American entrepreneurs, such as Ray Kroc, the founder of McDonald's and Bill Gates, the founder of Microsoft.

9. Describe the functions of the financial markets.

- Chapter 7 describes the functions of stock and commodity markets. Web links are provided to major stock and commodity exchanges around the world including, the New York Stock Exchange, the London Stock Exchange and the Chicago Mercantile Exchange.
- Chapter 11 describes the functions of banks. Different types of banks are identified and the role of the Federal Reserve System is discussed. Web links are included to all branches of the Federal Reserve.

10. Discuss the economic principles that guide the location of agricultural production and industry and the spatial distribution of transportation and retail facilities.

- Chapter 21 explains the importance of location for agricultural production. An activity for this chapter in the Educator's Guide suggests students locate major growing regions for different agricultural products in the United States.

- The Learning Tools feature of Interactive Citizenship includes a Map Skills exercise that encourages an understanding of spatial perspective. Links to the Learning Tools are available from every chapter of the book.

12.3 Students analyze the influence of the federal government on the American economy.

1. Understand how the role of government in a market economy often includes providing for national defense, addressing environmental concerns, defining and enforcing property rights, attempting to make markets more competitive, and protecting consumers' rights.
2. Identify the factors that may cause the costs of government actions to outweigh the benefits.

- Chapter 12 identifies the roles of government in a market economy. Web links are available to many governmental organizations, such as the Environmental Protection Agency and the Federal Trade Commission. The factors that may cause the costs of government actions to outweigh the benefits are also discussed in the context of formulating the federal budget. Web links are provided to governmental organizations and watchdog groups that monitor federal spending, such as the Congressional Budget Office and Citizen's Against Government Waste.

3. Describe the aims of government fiscal policies (taxation, borrowing, spending) and their influence on production, employment, and price levels.
4. Understand the aims and tools of monetary policy and their influence on economic activity (e.g., the Federal Reserve).

- Chapter 17 discusses ways the government stabilizes the economy, including fiscal and monetary policies. Links to related articles and Web sites provide current information on governmental fiscal and monetary policy decisions.

12.4 Students analyze the elements of the U.S. labor market in a global setting.

1. Understand the operations of the labor market, including the circumstances surrounding the establishment of principal American labor unions, procedures that unions use to gain benefits for their members, the effects of unionization, the minimum wage, and unemployment insurance.
2. Describe the current economy and labor market, including the types of goods and services produced, the types of skills workers need, the effects of rapid technological change, and the impact of international competition.
3. Discuss wage differences among jobs and professions, using the laws of demand and supply and the concept of productivity.

4. Explain the effects of international mobility of capital and labor on the U.S. economy.

- Chapter 10 explores many aspects of labor in the United States. A history of labor unions is provided and the procedures that unions use to gain benefits for their members are discussed. The current labor situation and the impact of international competition and the laws of supply and demand are also mentioned. An international perspective of labor is also explored in this chapter. There are many related articles and Web links that compliment this chapter including: links to major labor organizations, such as the AFL-CIO and the Teamsters, links to governmental statistics on the current labor situation and the complete texts of influential governmental legislation, such as the Norris-LaGuardia Act and the National Labor Relations Act.

12.5 Students analyze the aggregate economic behavior of the U.S. economy.

1. Distinguish between nominal and real data.

- Chapter 15 distinguishes between nominal and real data using gross domestic product (GDP) as an example. Definitions are provided and Web links are available for current nominal and real GDP statistics.

2. Define, calculate, and explain the significance of an unemployment rate, the number of new jobs created monthly, an inflation or deflation rate, and a rate of economic growth.

- Chapter 1 identifies economic indicators, such as gross domestic product and unemployment, which the government maintains to determine the current state of the economy. Web links to the White House's Economics Statistics Briefing Room and other governmental organizations that maintain economic statistics are provided for information on the current state of the economy.

- Chapter 15 explores issues associated with economic growth including the impact of employment and inflation or deflation. Links to related articles and Web sites provide information on the current state of the economy.

- Chapter 19 identifies issues related to unemployment. Web links to governmental agencies provide current statistics on the unemployment rate in the United States.

3. Distinguish between short-term and long-term interest rates and explain their relative significance.

- *Chapter 11 examines how the Federal Reserve System and member banks influence interest rates. Web links to all branches of the Federal Reserve are provided for further research.*
- *Chapter 17 describes how the Federal Reserve System adjusts interest rates to maintain a stable money supply and stable economy. Links to related articles and Web sites provide information on current interest rates.*

12.6 Students analyze issues of international trade and explain how the U.S. economy affects, and is affected by, economic forces beyond the United States's borders.

1. Identify the gains in consumption and production efficiency from trade, with emphasis on the main products and changing geographic patterns of twentieth-century trade among countries in the Western Hemisphere.
2. Compare the reasons for and the effects of trade restrictions during the Great Depression compared with present-day arguments among labor, business, and political leaders over the effects of free trade on the economic and social interests of various groups of Americans.

- *Chapter 22 explores many issues associated with foreign trade. The gains in consumption and production efficiency are discussed and trade patterns of the twentieth and twenty-first centuries are identified. The arguments for and against free trade in the past and present are discussed. Web links are available to major international trade associations, such as the North American Free Trade Agreement and the European Union. Other Web links and related articles explore the debate between free trade and protectionism.*

3. Understand the changing role of international political borders and territorial sovereignty in a global economy.
4. Explain foreign exchange, the manner in which exchange rates are determined, and the effects of the dollar's gaining (or losing) value relative to other currencies.

- *Chapter 23 highlights the rise of the global economy. The changing role of international political borders and territorial sovereignty is discussed. Web links are available to major supranational organizations such as the United Nations and the World Bank. The foreign exchange rate is also discussed and the effects of the dollar's value upon other currencies are mentioned. A Web link is available to a program that calculates the current foreign exchange rates for the U.S. dollar and other currencies.*