



Colorado Model Content Standards—Economics

What Citizens Need to Know About Economics

addresses Colorado Model Content Standards for the economics component of the curriculum grades 9-12.



STANDARD 1: Students understand that because of the condition of scarcity, decisions must be made about the use of scarce resources.

RATIONALE

Because human, natural, and capital resources are scarce, individuals, households, businesses, governments, and societies must make economic choices about their alternative uses. Economic choices are influenced by economic incentives to use resources efficiently. All economic choices have opportunity costs with consequences. Technology, the division of labor, specialization, and investment in human and physical capital affects productivity, economic growth, levels of employment, equity, efficiency, and stability.

1.1 Students know that economic choices are made because resources are scarce and that the act of making economic choices imposes opportunity costs.

Grades 9-12

As students in grades 9-12 extend their knowledge, what they know and are able to do includes:

- explaining how economic choices made by individuals, households, businesses, governments, and societies impose opportunity costs on societies as a whole; and
- analyzing the relationship between economic goals and the allocation of scarce resources.

- Chapter 2 examines economic choices and opportunity costs. Concepts like scarcity and consumption are defined. The production possibilities curve is presented as a way to identify the range of choices and opportunity costs associated with an economic decision. A graphic of the production possibilities curve is included for illustrative purposes.

1.2 Students understand that economic incentives influence the use of scarce human, capital, and natural resources.

Grades 9-12

As students in grades 9-12 extend their knowledge, what they know and are able to do includes:

- analyzing how economic incentives influence the economic choices made by individuals, households, businesses, governments, and societies to use scarce human, capital, and natural resources more efficiently to meet their economic goals.

- *Chapter 2 explains how individuals, households, businesses, governments and societies make economic choices to use the scarce resources that are involved in production. The factors of production are defined as being, land, labor, capital and management. Terms, such as scarcity and opportunity cost, are defined and a graphic of the production possibilities curve is included to illustrate incentives that influence economic choices.*
- *Chapter 4 identifies incentives for individuals and households in determining economic choices of consumption. Concepts, such as caveat emptor and diminishing utility, are defined. Other consumer issues are also explored, like consumer protection and consumer privacy. Links are included to consumer protection Web sites maintained by the government and consumer watchdog groups.*
- *Chapter 7 identifies the incentives that influence business decisions. Incentives and risks that influence choices made by entrepreneurs are described. The role of the entrepreneur is explored and different types of businesses are defined. Web links include biographies of successful entrepreneurs, such as Ray Kroc, the founder of McDonald's, and Bill Gates, the founder of Microsoft.*
- *Chapter 12 explores the role of government in an economic system. The incentives and choices involved in the budget-making process are examined and the use of cost/benefit ratio is identified. An overview of the federal budget-making process is provided and illustrated with a graphic. Web links are included to many governmental agencies involved in the process, including the Office of Management and Budget and the Congressional Budget Office.*

1.3 Students understand that resources can be used in many ways and understand the costs of alternative uses.

Grades 9-12

As students in grades 9-12 extend their knowledge, what they know and are able to do includes:

- explaining how changes in the investment of resources and specialization by individual, households, businesses, governments, and societies affect productivity (for example, a firm's investment in training enables its individual workers to produce more.)

- *Chapter 7 explains how changes in the investment of resources affect productivity. The law of diminishing returns is explained and illustrated with a graphic. Examples are cited and links to related articles and Web sites provide further insight.*

- *Chapter 15 describes how the accelerator effect and multiplier effect impacts the investment of resources. The concepts are illustrated with graphics and examples are given.*
- *Chapter 22 identifies how specialization is an important factor in determining the most efficient use of resources. The influence specialization has on foreign trade is explored and concepts like comparative advantage are defined. Links to related articles and Web sites provide specific examples.*

- analyzing the costs of alternative uses of resources with respect to present and future productivity; and

- *Chapter 2 explores the costs of alternative uses of resources. The choices involved in selecting energy resources are cited as examples and links to related articles and Web sites identify the costs and benefits of the different resource options. The production possibilities curve is defined and illustrated with a graphic to demonstrate the range of choices available.*
- *Chapter 15 explores the costs of alternative uses of resources with respect to present and future productivity in the context of problems associated with economic growth. The concept of forced obsolescence is defined and specific examples are cited.*

- analyzing how the use of technology and the investment in human and physical capital can affect long-range productivity;

- *Chapter 7 explains how changes in production technologies, such as the assembly line, affects productivity. The law of diminishing returns is defined and illustrated with a graphic.*
- *Chapter 10 describes how changes in technology impact the job market. The transition from a goods-producing to service- and information-providing economy is described and the impact that has on the investment of human capital is identified. Links to related articles and Web sites provide more information.*
- *Chapter 15 explores the short-term and long-term implications of changes in investment of human and physical capital. The impacts of the accelerator effect and the multiplier effect are described and illustrated with graphics.*

- identifying personal investment strategies for different economic goals, such as retirement, a child's education, or saving for a new house (students should be familiar with the risk-reward level of various types of investments, how risk is matched with the time horizon of the need for the funds invested, and how mutual funds work).

- *Chapter 6 explores personal investment issues in the context of consumer credit. The consequences of poor credit decisions are identified and terms, such as bankruptcy, are defined. The use of household budgets to achieve different economic goals is described and a graphic provides a worksheet for completing a personal household budget. An activity for this chapter in the Educator's Guide recommends students create their own budget to achieve a future goal, such as saving for college or planning for retirement.*
- *Chapter 7 identifies different investment options. The role of the stock market is described and terms, such as stocks, bonds and mutual funds, are defined. Web links are included to stock and commodity markets around the world, including the New York Stock Exchange, the Chicago Mercantile 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 stocks and chart the progress of their investment over a period of time.*
- *Chapter 10 examines the role of banks in an economic system. Savings and investment options are explored and the impact of saving and borrowing on the money supply is explained and illustrated with a graphic. Links to related articles and Web sites are included for further information.*

STANDARD 2: Students understand how different economic systems impact decisions about the use of resources and the production and distribution of goods and services.

RATIONALE

Economic systems develop to enable societies to determine what goods and services will be produced, how they will be produced, and for whom they will be produced. An economic system can be described as the collection of institutions, laws, activities, and economic incentives that govern economic decision making. Types of economic systems include traditional, market, command, and mixed. Understanding the nature of different economic systems is essential to understanding the function of economies as a whole and the United States system in particular.

2.1 Students understand that different economic systems employ different means to produce, distribute, and exchange goods and services.

Grades 9-12

As students in grades 9-12 extend their knowledge, what they know and are able to do includes:

- comparing and contrasting economic systems in terms of their ability to achieve economic goals; and
- explaining the benefits of the United States economic system.

- *Chapter 3 identifies the characteristics of different economic systems, including traditional, market, command, and mixed economies. A comparison and contrast of capitalism, socialism and communism is also included and the benefits of the United States economic system are described. Links to related articles and Web sites provide specific examples of different economic systems and the benefits and drawbacks of each. Links are also included to the biographies of influential economic philosophers, such as Adam Smith and Karl Marx, and the complete texts of their most famous works.*

2.2 Students understand the fundamental characteristics of the United States economic system.

Grades 9-12

As students in grades 9-12 extend their knowledge, what they know and are able to do includes:

- explaining how businesses, including sole proprietorships, partnerships, corporations, and franchises, are organized and financed in the U.S. economy;

- *Chapter 7 explains how businesses, including sole proprietorships, partnerships, corporations and franchises, are organized and financed in the U.S. economy. The role of the entrepreneur is highlighted and Web links are included to biographies of successful entrepreneurs, like Ray Kroc, the founder of McDonald's, and Bill Gates, the founder of Microsoft. The role of the stock market to provide investment capital to corporations is described and illustrated with a graphic. Web links are included to stock markets around the world, including the London Stock Exchange, the New York Stock Exchange, the American Stock Exchange and the National Association of Securities Dealers Automated Quotations (NASDAQ).*

- describing how changes in income, tastes, and preferences, and the prices of substitutes and complements can cause changes in demand;
- describing how changes in the number of producers, production costs, or the prices of substitute and complementary products cause changes in supply; and

- *Chapter 8 defines the laws of supply and demand. The impact of changes in income, tastes and preferences, and the prices of substitute and complimentary goods on demand is explained and illustrated with graphics. The factors that cause changes in supply are also identified and illustrated with graphics. Key concepts and Terms, such as the new buyer effect, the substitution effect and the income effect, are all defined.*

- comparing and contrasting the characteristics of different market structures, including pure competition, oligopoly, monopoly, and monopolistic competition.

- *Chapter 9 explores competition in the marketplace. The terms pure competition, oligopoly and monopoly are defined. Specific examples of monopolistic competition are cited and the response of government is explored. Links are included to the complete texts of major governmental legislation, such as the Sherman Antitrust Act and the Robinson-Patman Act.*

2.3 Students understand that government actions and policies, including taxes, spending, and regulations influence the operation of economies.

Grades 9-12

As students in grades 9-12 extend their knowledge, what they know and are able to do includes:

- interpreting measurements of inflation rates and unemployment rates and relating these to the general economic "health" of the national economy;

- *Chapter 1 identifies different economic indicators, including gross domestic product, consumer price index and unemployment, which the government maintains to determine the health of the economy. Graphics are provided for each of the indicators and Web links are included to government agencies that maintain the statistics, such as the Department of Commerce and the Department of Labor, for the most current information.*
- *Chapter 5 explains how the consumer price index (CPI) is used to calculate the rate of inflation or deflation. The impact of inflation on households is explained and illustrated with a graphic. Web links are included for current CPI statistics and a program that uses CPI to calculate the value of a dollar during different time periods in U.S. history.*
- *Chapter 14 explains how gross domestic product (GDP) is used to determine the health of the economy. The accuracy of GDP is debated and alternatives to GDP, such as the human development index (HDI), are identified. Web links include current GDP and HDI statistics.*
- *Chapter 19 explains how unemployment impacts the health of the economy. Different types of unemployed workers are identified, such as displaced, discouraged and underemployed workers. The way the government calculates the unemployment rate is explained and Web links include current unemployment statistics from the Department of Labor.*

- explaining the impact of government taxing and spending decisions on specific individuals, households, businesses, governments, and societies (for example, social security and Small Business Administration, national debt);

- *Chapter 6 identifies the impact of the national debt on individuals, households, businesses and the government. Links to related articles and Web sites are included for further research.*

- *Chapter 10 describes the impact of governmental decisions with regard to management and labor relations. The role of the federal government to mediate labor disputes is explored and links are included to important government legislation, such as the National Labor Relations Act and the Taft-Hartley Act. Web links are also included to the Small Business Administration and major labor organizations, like the AFL-CIO and the Teamsters.*
- *Chapter 12 describes the role of government in an economic system and explores the impact that government spending decisions have on individuals, households, businesses, governments and societies. The effect of the national debt on the economy is examined and the budget-making process explained. Web links are included to government agencies involved in the budget process, including the Office of Management and Budget and the Congressional Budget Office.*
- *Chapter 13 explains the impact of taxes on individuals, households, businesses and governments. The concept of a fair tax is explored and the criteria for fair taxes are identified. A Web link is included to the Internal Revenue Service for current information on U.S. tax policy.*
- *Chapter 20 explains how government taxing and spending decisions impact individuals, households and society in the context of federal subsidies. A history of federal subsidies in the United States is provided and Web links are included to the agencies that oversee such programs as Social Security, Medicare, Medicaid and Head Start.*
- *Chapter 22 examines how government trade policies impact households, businesses, governments and societies. The debate between free trade and protectionism is explored and links to related articles and Web sites provide opposing views on the free trade debate.*
- *Chapter 23 explains how governmental policies can impact households, businesses, governments and societies around the world because of the interdependence of the global economy. The 1971 decision by the U.S. government to abandon the gold standard and the 1997 Asian financial crisis are cited as examples.*

- comparing and contrasting different types of taxes, including progressive, regressive, and proportional taxes;

- *Chapter 13 compares and contrasts different types of taxes, including progressive, regressive and proportional taxation. The concept of a fair tax is debated and the criteria for determining a fair tax are identified. Links to related articles and Web sites include opposing view of different tax proposals.*

- describing the economic roles of government, such as establishing fiscal policy, providing public goods and services, maintaining competition, generating and using revenues, promoting employment, stabilizing prices, and sustaining reasonable rates of economic growth (for example, Medicaid, and public education); and

- describing the effects of specific government regulations on different groups, including consumers, employees, and businesses (for example, unfunded mandates); and

- *Chapter 9 explores the government's role to maintain competition. Key concepts and terms, such as pure competition, oligopoly and monopoly, are defined. Links are included to the complete texts of major governmental legislations, such as the Sherman Antitrust Act and the Robinson-Patman Act.*
- *Chapter 10 identifies the government's role in resolving labor disputes and promoting employment and equality. Important government legislation, such as the Equal Employment Act, the American with Disabilities Act and the National Labor Relations Act, are examined and links provide more information on these and other issues.*
- *Chapter 12 explores the roles of government in an economic system, including providing public goods and services like public education, generating and using revenues and implementing regulations for the public good. The effects of governmental regulations on different groups, including consumers, employees and businesses, are identified. Web links are included to many governmental regulatory agencies, such as the Consumer Product Safety Commission, the Environmental Protection Agency and the Occupational Safety and Health Administration.*
- *Chapter 17 describes the government's role in stabilizing the economy. Different fiscal and monetary policy options, such as deficit financing and open market operations, are explored and the impacts of those decisions on the economy and individuals are described. Links to related articles and Web sites include current information on U.S. fiscal and monetary policy decisions and the consequences of those policies.*
- *Chapter 20 identifies the government's role in providing federal subsidies to the poor and needy. The impact of these programs on individuals and society is described. A history of federal subsidies in the United States is provided and Web links are included to the agencies that oversee such programs as Social Security, Medicare, Medicaid, and Head Start.*
- *Chapter 21 explains the government's role in stabilizing prices in the agricultural sector of the economy. Concepts, such as price floors and ceilings and parity, are defined. Links to related articles and Web sites include opposing views of the debate over protecting American agricultural producers through price supports.*

- contrasting the concept of customer and consumer.

- *Chapter 4 explores the role of the consumer in an economic system. Concepts, such as caveat emptor and diminishing utility, are defined. Consumer protection issues, like product safety and consumer privacy, are identified. Links are included to consumer protection Web sites maintained by the government and consumer watchdog groups.*

STANDARD 3: Students understand the results of trade, exchange, and interdependence among individuals, households, businesses, governments, and societies.

RATIONALE

Exchange is essential to all economic activity. Individuals, households, businesses, governments, and societies specialize to make the most efficient use of their resources and they trade to obtain other goods and services they need and want. It is essential to understand how trade results in interdependence and economic change.

3.1 Students understand that the exchange of goods and services creates economic interdependence and change.

Grades 9-12

As students in grades 9-12 extend their knowledge, what they know and are able to do includes:

- giving examples of international differences in resources, productivity, and prices that provide a basis for international trade;
- describing the factors that lead to a nation having a comparative advantage in trade;
- explaining effects of domestic policies on international trade;
- explaining why nations often restrict trade by using quotas, tariffs, and non-tariff barriers to trade (for example, cars entering the U.S. must have a catalytic converter); and
- comparing and contrasting the characteristics of free trade and restricted trade (Example: Embargo).

- Chapter 22 explores many issues associated with international trade. The importance of international differences in resources, productivity, and prices in determining what and where products are produced and distributed is described and concepts, such as comparative advantage and specialization, are defined. Barriers to trade, such as quotas, tariffs and non-tariff barriers, are identified. The debate between free trade and protectionism is highlighted and links to related articles and Web sites provide opposing view of the free trade debate. Web links are also included to regional trade associations, such as the North American Free Trade Agreement and the European Union.

3.2 Students understand how a country's monetary system facilitates the exchange of resources.

Grades 9-12

As students in grades 9-12 extend their knowledge, what they know and are able to do includes:

- explaining the costs and benefits of the use of credit;
- describing the use of monetary and fiscal policies; and

- describing how fiscal or monetary policies can affect exchange rates and international trade.

- *Chapter 6 explains the cost and benefits of credit. The impact of credit on economic growth and a nation's economy is explored and concepts like bankruptcy are defined. A comparison of building a home on credit in the United States and building a home over a long period of time because of the lack of credit in developing countries is provided as an example. Links to related articles and Web sites provide other examples of the costs and benefits of credit.*
- *Chapter 17 describes the use of monetary and fiscal policies. The effects of monetary and fiscal policies on domestic and international markets are explored. Key concepts and terms, like open market operations and deficit financing, are defined. Links to related articles and Web sites include current examples of U.S. fiscal and monetary policy decisions and the effects of those decisions on individuals and the domestic and international economies.*
- *Chapter 23 explores the interdependence of the global economy. The impact of fiscal and monetary policy decisions on the global economy is explored. The 1971 decision by the U.S. government to abandon the gold standard and the 1997 Asian financial crisis are cited as examples. Concepts, such as balance of payments and exchange rates, are defined. A link is provided to a program that calculates the current exchange rates for the U.S. dollar and other currencies.*