



Wisconsin Model Academic Standards for Social Studies

What Citizens Need to Know About Economics
addresses Wisconsin Model Academic Standards for the economics component of
the social studies curriculum grade 12.



D. ECONOMICS: PRODUCTION, DISTRIBUTION, EXCHANGE, CONSUMPTION

Content Standard

Students in Wisconsin will learn about production, distribution, exchange, and consumption so that they can make informed economic decisions.

Rationale

Individuals, families, businesses, and governments must make complex economic choices as they decide what goods and services to provide and how to allocate limited resources for distribution and consumption. In a global economy marked by rapid technological change, students must learn how to be better producers, consumers, and economic citizens. In Wisconsin schools, the content, concepts, and skills related to economics may be taught in units and courses including economics, history, government, global studies, and current events.

Note: additional information for developing a curriculum is available in:
Curriculum Standards for Social Studies. The National Council for the Social Studies Publications, P.O. Box 79078, Baltimore, MD 21279-0078 (1-800-683-0812)
National Content Standards in Economics. The National Council on Economic Education, 1140 Avenue of the Americas, New York, NY 10036 (1-800-338-1192)

TWELFTH GRADE

Performance Standards

By the end of **grade twelve**, students will:

D.12.1 Explain how decisions about spending and production made by households, businesses, and governments determine the nation's levels of income, employment, and prices

- *Chapter 1 provides an introduction to economics and explains how decisions about spending and production determine the nation's levels of income, employment and prices. Economic indicators, such as gross domestic product, personal income, unemployment and consumer price index, are identified and long-term trends are illustrated with graphics. Web links are available for current information on these and other indicators.*
- *Chapter 4 explains how spending decisions by households influence the nation's levels of production. The role of the consumer in an economic system is explored and graphics are included to illustrate how consumer decisions impact production. Links to related articles and Web sites are provided for further information.*
- *Chapter 7 describes how business decisions impact the economy and the nation's levels of income, employment and prices. The role of the entrepreneur is described and links are included to biographies of successful entrepreneurs, such as Ray Kroc, the founder of McDonalds, and Bill Gates, the founder of Microsoft.*
- *Chapter 12 explains how government decisions impact the nation's levels of income, employment and prices. Government regulations are explored and Web links are provided to government regulatory agencies, such as the Environmental Protection Agency and the Securities and Exchange Commission.*
- *Chapter 14 identifies factors that determine the nation's levels of income, employment and prices. The way these are calculated to determine a nation's gross domestic product (GDP) and national and personal income is explained and illustrated with graphics. The circular flow of money principle is described and also illustrated with graphics. Links to related articles and Web sites include current statistics on GDP, national income and personal income.*
- *Chapter 19 discusses factors that determine the nation's level of employment. Key concepts and terms, like structural unemployment and displaced workers, are defined. Links to related articles and Web sites include current unemployment statistics and an assessment of the impact of the unemployment rate on the state of the economy.*

D.12.2 Use basic economic concepts (such as supply and demand; production, distribution, and consumption; labor, wages, and capital; inflation and deflation; market economy and command economy) to compare and contrast local, regional, and national economies across time and at the present time

- *Chapter 1 discusses basic economic concepts and identifies economic indicators that can be used to compare and contrast local, regional and national economies across time and at the present time. Graphics are included for every major economic indicator to illustrate long-term trends. Links to related articles include the most current statistics on economic indicators and past economic statistics can be accessed as well for comparative purposes.*

- *Chapter 2 includes a timeline of historical events that have shaped the U.S. economy. Links to related articles and Web sites include more information on these events and their impact on the economy.*
- *Chapter 3 differentiates between traditional, command and market economies. Examples of each are cited and a comparison of capitalism, socialism and communism is also presented. Links to related articles and Web sites are available for further research.*
- *Chapter 5 explains how inflation and deflation varies from place to place and time to time. Graphics are included to demonstrate how inflation or deflation causes changes to the prices of goods and services. The use of the consumer price index (CPI) to determine the level of inflation or deflation is discussed. Web links include current CPI statistics and a program that uses CPI to compare the buying power of a dollar during different time periods in U.S. history. An activity for this chapter in the Educator's Guide involves researching the cost of living for different locations and different time periods.*
- *Chapter 8 defines the laws of supply and demand and explains how they influence production, distribution and prices. Graphics are included to illustrate changes in supply and demand over periods of time and examples are cited. Key concepts and terms, such as substitute goods and new buyer effect, are defined. Links to related articles and Web sites are available for further research and more examples.*
- *Chapter 10 examines how labor and wages vary from time to time and place to place. Factors that determine wages are identified and the role of labor unions is explored. A history of the labor movement in the United States is provided and Web links are included to many labor organizations in the U.S. including the AFL-CIO and the Teamsters.*
- *Chapter 16 discusses fluctuations in the business cycle and explains how the state of the economy varies from time to time and place to place. A graphic is included to illustrate fluctuations in the business cycle and to provide examples of when the U.S. was in periods of recession, depression, recovery and prosperity are provided. An oral history of the Great Depression is included to illustrate how changes in the business cycle impact individuals differently based on location and time.*
- *Related articles and Web sites are linked to every chapter of the book and identify issues past and present that have an impact on the economic topics covered in the chapter. These sources can be used to compare and contrast local, regional and national economies across time and at the present time.*

D.12.3 Analyze and evaluate the role of Wisconsin and the United States in the world economy

- *Chapter 22 describes the role of the United States in global trade. A history of U.S. trade policy is presented and the rise of regional trade organizations is highlighted. Links to related articles and Web sites identify the role and contributions of individual states in foreign trade.*

- *Chapter 23 examines the interdependence of the global economy. The role of the United States in the world economy is explored. The impact of the U.S. decision in 1971 to abandon the gold standard is cited as an example. Links to related articles and Web sites identify the role and contributions of individual states in the global economy.*
- *Chapter 24 discusses the responsibility of the U.S. and other developed countries to assist developing countries achieve a higher standard of living. Web links are included to foreign aid organizations, such as the U.S. Agency for International Development and the Grameen Bank.*

D.12.4 Explain and evaluate the effects of new technology, global economic interdependence, and competition on the development of national policies and on the lives of individuals and families in the United States and the world

- *Chapter 9 explains and evaluates the effects of competition on the development of national policies and on the lives of individuals and families in the U.S. and the world. Key concepts and terms, such as pure competition, monopoly and oligopoly, are defined. Links are included to influential government legislation pertaining to competition, like the Sherman Antitrust Act and the Robinson-Patman Act.*
- *Chapter 12 discusses the role of government in an economic system and identifies factors that influence national policies. Key concepts and terms, such as externalities and cost/benefit ratios, are defined. The federal budget-making process is described and illustrated with a graphic. Links are included to government agencies involved in the budget process, like the Office of Management and Budget and the Congressional Budget Office. Links are also provided to government agencies, like the Food and Drug Administration and the Federal Trade Commission, that develop and enforce national policies.*
- *Chapter 15 explains how new technology impacts the development of national policies and individuals and families. Key terms, like forced obsolescence, are defined. The impact of new technology on a growing economy is discussed and problems associated with a growing economy and new technologies, such as pollution, are identified. Links to related articles and Web sites are available for further research and specific examples.*
- *Chapter 23 explores the effects of global economic interdependence on the development of national policies and on individuals and families in the U.S. and the world. The impacts of the U.S. decision in 1971 to abandon the gold standard and the 1997 Asian financial crisis are cited as examples. Web links are included to international organizations that operate in the global economy, such as the International Monetary Fund and the World Trade Organization.*

D.12.5 Explain how federal budgetary policy and the Federal Reserve System's monetary policies influence overall levels of employment, interest rates, production, and prices

- *Chapter 11 discusses the role of the Federal Reserve System in determining interest rates. Key concepts and terms, such as reserve requirements and discount rate, are defined. The impact of changes to interest rates on the money supply and prices is explored. Web links are included to all branches of the Federal Reserve.*
- *Chapter 12 explores the role of government in an economic system and the federal budgetary process is described and illustrated with a graphic. The impact of budgetary policy on employment, production and prices is explained. Web links are included to government agencies involved in the budget-making process, including the Congressional Budget Office and the Office of Management and Budget.*
- *Chapter 17 explains how federal budgetary fiscal policy and the Federal Reserve System's monetary policies influence overall levels of employment, interest rates, production and prices. Fiscal and monetary policy tools, such as deficit financing and open market operations, are identified. Links to related articles and Web sites include current information on U.S. fiscal and monetary policy decisions and opposing views on the success of those policies.*

D.12.6 Use economic concepts to analyze historical and contemporary questions about economic development in the United States and the world

- *Chapter 24 explores issues associated with economic development. Terms like colonialism and development are defined. Historical and contemporary questions about economic development in the United States and the world are discussed. The responsibility of developed countries to assist developing countries is addressed and Web links are included to international aid agencies, such as the U.S. Agency for International Development and the Grameen Bank.*
- *A Glossary of Key Concepts and Terms that provides definitions for economic concepts is available from links in the Table of Contents and every chapter. All glossary terms are italicized in the text to assist the students in developing an economic vocabulary.*
- *Related articles and Web sites linked to every chapter identify historical and contemporary questions about economic development in the United States and the world.*

D.12.7 Compare, contrast, and evaluate different types of economies (traditional, command, market, and mixed) and analyze how they have been affected in the past by specific social and political systems and important historical events

- *Chapter 3 compares, contrasts and evaluates different types of economies (traditional, command, market and mixed) and explains how they have been affected in the past by specific social and political systems and important historical events. The collapse of the Soviet Union is cited as an example. A comparison of capitalism, socialism and communism is also presented and Web links are included to biographies of influential philosophers, such as Adam Smith and Karl Marx, and the complete texts of their most important works.*

D.12.8 Explain the basic characteristics of international trade, including absolute and comparative advantage, barriers to trade, exchange rates, and balance of trade

- *Chapter 22 describes the basic characteristics of international trade, including comparative advantage barriers to trade like tariffs and quotas, and balance of trade. A history of U.S. foreign trade policy is explored and the rise of regional trade associations is discussed. Web links are included to many regional trade agreements, including the North American Free Trade Agreement and the European Union. The debate over barriers to trade is addressed and links to related articles and Web sites present opposing views of the free trade debate.*
- *Chapter 23 explains how international trade has led to a global interdependent economy. The impact of changes in the exchange rate is discussed and illustrated with a graphic. A Web link is included to a program that calculates the current exchange rate for the U.S. dollar and other currencies.*

D.12.9 Explain the operations of common financial instruments (such as stocks and bonds) and financial institutions (such as credit companies, banks, and insurance companies)

- *Chapter 6 explores consumer credit and explains how credit companies and banks use interest rates. Key concepts and terms, such as credit, debt and bankruptcy, are defined. The wise use of credit is stressed and an activity for this chapter in the Educator's Guide includes evaluating and comparing credit card agreements to determine the best economic choice.*
- *Chapter 7 explains the operations of common financial instruments, such as stocks and bonds. The risks and rewards of investments are identified. The way investments in stocks and bonds provide investment capital to corporations is explained and illustrated with a graphic. Links are provided to the Web sites of stock and commodity markets around the world, including the New York Stock Exchange, the Chicago Mercantile Exchange and the London Stock Exchange. An activity for this chapter in the Educator's Guide recommends students invest an imaginary sum of money in the stock market and chart the progress of the investment over a specified period of time.*

- *Chapter 11 describes the role of financial institutions, such as banks. Different types of banks are identified and different financial instruments, such as savings accounts and Treasury Bills, are identified. The role of insurance to protect investments is discussed and a Web link is included to the Federal Deposit Insurance Corporation. The role of the Federal Reserve System is also discussed and Web links are included to all branches of the Federal Reserve.*

D.12.10 Analyze the ways in which supply and demand, competition, prices, incentives, and profits influence what is produced and distributed in a competitive market system

- *Chapter 7 identifies incentives, such as profit and property rights, that influence entrepreneurs' decisions about what to produce and distribute in a competitive market system. The role of the entrepreneur is discussed and links are available to biographies of successful entrepreneurs, such as Ray Kroc, the founder of McDonald's, and Bill Gates, the founder of Microsoft.*
- *Chapter 8 explains how the laws of supply and demand influence prices and what is produced and distributed in a competitive market system. Specific examples are cited and graphics are provided to illustrate the relationships between supply, demand, prices and production. Key concepts and terms, such as substitute goods and purchasing power, are defined. Links to related articles and Web sites are included for more information and more examples.*
- *Chapter 9 explains how competition influences what is produced and distributed in a competitive market system. Different levels of competition, such as pure competition, monopoly and oligopoly, are defined and examples of each are provided. The role of government in maintaining stable competition is explored and links are included to the complete texts of important government legislation, like the Sherman Antitrust Act and the Robinson-Patman Act.*

D.12.11 Explain how interest rates are determined by market forces that influence the amount of borrowing and saving done by investors, consumers, and government officials

- *Chapter 11 explains how interest rates are determined by market forces that influence the amount of borrowing and saving done by investors, consumers, and government officials. The role of the Federal Reserve System in setting interest rates is discussed and concepts, such as reserve requirements and discount rate, are defined. Web links are included to all branches of the Federal Reserve.*
- *Chapter 17 explains how the Federal Reserve adjusts the interest rates it charges to member banks to influence interest rates for investors, consumers and government officials. The use of interest rates to adjust market forces to maintain a stable money supply is described. Links to related articles and Web sites provide current examples of Federal Reserve monetary policy decisions and their impact on market forces.*

D.12.12 Compare and contrast how values and beliefs, such as economic freedom, economic efficiency, equity, full employment, price stability, security, and growth, influence decisions in different economic systems

- *Chapter 3 explains how values and beliefs, such as economic freedom, efficiency, equity, security and growth influence decisions in different economic systems. Different economic systems—traditional, command, market and mixed—are identified and examples are cited of each. A comparison and contrast of capitalism, socialism and communism is also included and examples of each system are cited. Important economic philosophers, such as Adam Smith and Karl Marx, are identified and Web links include biographies and the complete texts of their most influential works.*
- *Chapter 15 explores how values and beliefs, such as economic efficiency, full employment, price stability and growth influence decisions. Problems associated with economic growth are presented and examples are cited. Links to related articles are included for further research.*
- *Chapter 18 describes how values and beliefs, such as equity, influence decisions in different economic systems. Key concepts and terms, such as working poor and middle class, are defined. The disparity in the equity of income in the United States is addressed and links to related articles and Web sites include current statistics on the distribution of income in the United States.*
- *Chapter 24 explains how values and beliefs influence decisions of economic development. Terms, such as colonialism and foreign aid, are defined. The clash of values and beliefs between developing and developed countries is explored and links to related articles and Web sites include opposing views as to the best way to help Third World countries develop.*

D.12.13 Describe and explain global economic interdependence and competition, using examples to illustrate their influence on national and international policies

- *Chapter 22 explains how competition influences national and international policies in the context of foreign trade. Key concepts and terms, such as comparative advantage and specialization, are defined. National and international policies toward foreign competition are identified and the debate between protectionism and free trade is explored. The rise of regional trade associations is discussed and Web links are included to major regional trade associations, such as the North American Free Trade Agreement and the European Union.*
- *Chapter 23 describes the economic interdependence of the global economy. Key concepts and terms, such as contagion effect and special drawing rights, are defined. The influence of global economic interdependence on national and international policies is discussed. The 1971 U.S. decision to abandon the gold standard and the 1997 Asian financial crisis are cited as examples. Web links are included to international organizations that operate in the global economy, such as the World Trade Organization and the International Monetary Fund.*

D.12.14 Analyze the economic roles of institutions, such as corporations and businesses, banks, labor unions, and the Federal Reserve System

- *Chapter 7 describes the economic roles of businesses. Different types of businesses—sole proprietorships, partnerships, corporations and franchises—are identified and examples of each are given. The role of the entrepreneur is explained and Web links include biographies of successful entrepreneurs, such as Ray Kroc, the founder of McDonald's, and Bill Gates, the founder of Microsoft.*
- *Chapter 10 explores the economic roles of labor unions. A history of the labor movement in the United States is provided and tools of labor organizations, such as collective bargaining and strikes, are identified. Web links are included to major labor organizations in the United States, such as the Teamsters and the AFL-CIO.*
- *Chapter 11 discusses the economic roles of institutions, such as banks and the Federal Reserve System. Different types of banks are identified and the way banks create money is described and illustrated with a graphic. The role of the Federal Reserve System is explained and concepts like reserve requirements and discount rate are defined. Web links are available to all branches of the Federal Reserve for more information on its history and functions.*