

Economics

Social Studies
Curriculum Framework

Revised 2006
Amended June 2009

Course Title: Economics
 Course/Unit Credit: ½
 Course Number:
 Teacher Licensure: Secondary Social Studies
 Grades: 9-12

Economics

Economics is a one-semester course that emphasizes economic fundamentals, microeconomics, macroeconomics, and personal financial management. Students will explore the interrelationships among the roles played by consumers, producers, capital, land, and labor as well as the interrelationships among economic, political, and social lives. Additionally, students will examine the relationship between individual choices and the direct influence of these choices on occupational goals and future earnings potential. Economics stresses application, problem-solving, higher-order thinking skills, and use of classroom performance-based, open-ended assessments with rubrics. Economics is required by the Standards for Accreditation and does not require Arkansas Department of Education approval.

Strand	Content Standard
Economic Fundamentals	1. Students shall examine <i>scarcity</i> and choice.
	2. Students shall examine the roles of economic systems in the use and distribution of resources.
	3. Students shall analyze the reasons individuals, businesses, and governments trade.
Microeconomics	4. Students shall assess the role of <i>supply</i> and <i>demand</i> .
	5. Students shall analyze the organization of business firms in a <i>market economy</i> .
	6. Students shall analyze the various types of market structures.
	7. Students shall examine the importance of increasing productivity in a <i>market economy</i> .
Macroeconomics	8. Students shall examine measurements of economic performance.
	9. Students shall analyze roles that governments play in the economy.
	10. Students shall evaluate <i>monetary policy</i> and <i>fiscal policy</i> and their relationship to economic stability and growth.
Personal Financial Management	11. Students shall analyze career choices, education, skills, and economic conditions affecting earnings potential.
	12. Students shall evaluate the impact of credit on personal financial decisions.
	13. Students shall evaluate wealth management choices available to individuals.

Strand: Economic Fundamentals

Content Standard 1: Students shall examine *scarcity* and choice.

EF.1.E.1	Explain the role <i>scarcity</i> and <i>opportunity cost</i> plays in making choices using the <i>PACED decision making model</i> <ul style="list-style-type: none">• individuals• businesses• governments
EF.1.E.2	Describe the use of <i>cost/benefit analysis</i> in making choices <ul style="list-style-type: none">• individuals• businesses• governments
EF.1.E.3	Explain the concepts of <i>tradeoffs</i> (e.g., budget, career choices, earnings potential, education and/or training)
EF.1.E.4	Discuss individual or societal economic choices, which are guided by <i>incentives</i> and based on rational self-interest (e.g., employee benefits, tax <i>incentives</i>)

Strand: Economic Fundamentals

Content Standard 2: Students shall examine the roles of economic systems in the use and distribution of resources.

EF.2.E.1	Analyze the four <i>factors of production</i> <ul style="list-style-type: none">• natural resources• human resources• capital resources• <i>entrepreneurship</i>
EF.2.E.2	Examine the three basic economic questions that must be answered by every economic system <ul style="list-style-type: none">• What <i>goods</i> and <i>services</i> are to be produced and in what quantities?• How will the <i>goods</i> and <i>services</i> be produced?• For whom will the <i>goods</i> and <i>services</i> be produced?
EF.2.E.3	Compare and contrast the four major economic systems <ul style="list-style-type: none">• <i>command economy</i>• <i>market economy</i>• <i>mixed economy</i>• <i>traditional economy</i>

Strand: Economic Fundamentals

Content Standard 3: Students shall analyze the reasons individuals, businesses, and governments trade.

EF.3.E.1	Explain the role of <i>specialization</i> and <i>voluntary exchange</i> in the marketplace (e.g., <i>absolute advantage</i> , <i>comparative advantage</i>)
EF.3.E.2	Examine trade barriers <ul style="list-style-type: none">• <i>tariffs</i>• <i>quotas</i>• <i>embargos</i>• <i>preservation of standards (protectionism)</i>• <i>subsidies</i>
EF.3.E.3	Explain the effect of exchange rates on global purchasing power
EF.3.E.4	Summarize global patterns of economic activity <ul style="list-style-type: none">• world trading partners• trading blocs• regional trade agreements• regional trade organizations• free trade

Strand: *Microeconomics*

Content Standard 4: Students shall assess the role of *supply* and *demand*.

MI.4.E.1	Illustrate the effects of <i>supply</i> and <i>demand</i> in determining <i>equilibrium price</i> and quantity using a <i>supply curve</i> and a <i>demand curve</i>
MI.4.E.2	Demonstrate changes in <i>supply</i> and <i>demand</i> that influence <i>equilibrium price</i> and quantity using a <i>supply curve</i> and <i>demand curve</i> <ul style="list-style-type: none">• shifts in <i>supply</i> and <i>demand</i>• changes in <i>quantity supplied</i> and <i>quantity demanded</i>• <i>shortages</i> and <i>surpluses</i>
MI.4.E.3	Describe the signals sent to buyers and sellers by price (e.g., cost, availability)
MI.4.E.4	Determine the effect of consumers on production in a <i>market economy</i>

Strand: *Microeconomics*

Content Standard 5: Students shall analyze the organization of business firms in a *market economy*.

MI.5.E.1	Compare and contrast major forms of business organizations <ul style="list-style-type: none">• <i>sole proprietorship</i>• <i>partnership</i> (e.g., limited, general)• <i>corporation</i> (e.g., public, private, <i>hybrid business</i>)• <i>non-profit</i>
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Strand: *Microeconomics*

Content Standard 6: Students shall analyze various types of market structures.

MI.6.E.1	Compare and contrast different models of market structures <ul style="list-style-type: none">• <i>perfect competition</i>• <i>monopolistic competition</i>• <i>oligopoly</i>• <i>monopoly</i>• <i>cartel</i>
MI.6.E.2	Describe the role that the stock market plays in the economy of the United States

Strand: *Microeconomics*

Content Standard 7: Students shall examine the importance of increasing productivity in a *market economy*.

MI.7.E.1	Distinguish between <i>fixed costs</i> and <i>variable costs</i>
MI.7.E.2	Analyze the influence improved <i>factors of production</i> have on the productivity of individual industries (e.g., technology, education, training, <i>specialization</i> , <i>division of labor</i>)

Strand: *Macroeconomics*

Content Standard 8: Students shall examine measurements of economic performance.

MA.8.E.1	Analyze the following economic indicators used to measure economic performance <ul style="list-style-type: none">• <i>Gross Domestic Product (GDP)</i>• <i>Gross Domestic Product per capita</i>• <i>Real Gross Domestic Product</i>• unemployment rates• <i>Consumer Price Index (CPI)</i> (e.g., <i>inflation</i>)• stock market
MA.8.E.2	Compare and contrast the causes and types of unemployment (e.g., <i>underemployment, outsourcing, off-shoring, cyclical unemployment, structural unemployment, frictional unemployment, seasonal unemployment</i>)
MA.8.E.3	Explain stages of the business cycle <ul style="list-style-type: none">• <i>peak</i>• <i>trough</i>• <i>expansion</i>• <i>contraction</i> (e.g., <i>recession, depression</i>)

Strand: *Macroeconomics*

Content Standard 9: Students shall analyze roles that governments play in the economy.

MA.9.E.1	<p>Discuss the roles of governments in the economy</p> <ul style="list-style-type: none">• establish and enforce private property rights and the law• deal with external costs and benefits• ensure market competition• stabilize the economy• consumer protection• promote economic security• provide public <i>goods</i> and <i>services</i>• regulatory agencies• redistribution of income
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Strand: *Macroeconomics*

Content Standard 10: Students shall evaluate *monetary policy* and *fiscal policy* and their relationship to economic stability and growth.

MA.10.E.1	Compare and contrast the functions of money in a <i>market economy</i> <ul style="list-style-type: none">• <i>medium of exchange</i>• <i>measure of value</i>• <i>store of value</i>
MA.10.E.2	Assess the characteristics of money in a <i>market economy</i> <ul style="list-style-type: none">• <i>portability</i>• <i>durability</i>• <i>divisibility</i>• limited supply
MA.10.E.3	Examine the different types of financial institutions in the United States (e.g., banks, credit unions, investment firms, <i>cooperatives</i>)
MA.10.E.4	Describe the roles and functions of banks and financial institutions in the United States (e.g., saving, checking, investment, loans, trust)
MA.10.E.5	Describe the organization and roles of the Federal Reserve system <ul style="list-style-type: none">• Federal Reserve organizational structure• <i>monetary policy</i> (e.g., open market operations, discount rate, reserve requirement)
MA.10.E.6	Discuss the role of <i>fiscal policy</i> in setting and maintaining economic stability and growth (e.g., <i>expansionary</i> , <i>contractionary</i>)
MA.10.E.7	Illustrate the major sources of government revenue (e.g., taxes, fees, interest, government securities)
MA.10.E.8	Illustrate the major expenditures of tax revenues <ul style="list-style-type: none">• national level (e.g., national security, social programs, education, civil services)• state level (e.g., social programs, education, civil services)• local level (e.g., civil services, education)
MA.10.E.9	Explain different types of taxes <ul style="list-style-type: none">• <i>progressive tax</i>• <i>regressive tax</i>• <i>proportional tax</i>
MA.10.E.10	Distinguish between <i>budget deficit</i> and <i>national debt</i>

Strand: Personal Financial Management

Content Standard 11: Students shall analyze career choices, education, skills, and economic conditions affecting earnings potential.

PFM.11.E.1	Compare and contrast career options including entrepreneurial activities using available resources (e.g., Occupational Outlook Handbook, Internet, guest speaker, job shadowing)
PFM.11.E.2	Interpret factors affecting income <ul style="list-style-type: none">• career choices and potential income• education and training
PFM.11.E.3	Analyze the costs and benefits of personal choices in education and training that affect earnings potential <ul style="list-style-type: none">• <i>intrinsic</i>• <i>extrinsic</i>
PFM.11.E.4	Evaluate the importance of interpersonal skills in the workplace (e.g., workforce readiness skills, ethics)

Strand: Personal Financial Management

Content Standard 12: Students shall evaluate the impact of credit on personal financial decisions.

PFM.12.E.1	Compare and contrast forms of credit <ul style="list-style-type: none">• loans (e.g., home, car, education, personal)• credit cards
PFM.12.E.2	Evaluate the costs and benefits of using credit <ul style="list-style-type: none">• interest rates• fees and penalties• rewards
PFM.12.E.3	Explain factors that affect credit worthiness <ul style="list-style-type: none">• credit score and credit report• debt management (e.g., credit counseling, debt consolidation, bankruptcy)• credit protection laws• identity protection (e.g., identity theft, <i>phishing</i>, scams)
PFM.12.E.4	Explain ways to avoid and correct credit problems (e.g., credit counseling, identity protection, debt consolidation, bankruptcy)

Strand: Personal Financial Management

Content Standard 13: Students shall evaluate wealth management choices available to individuals.

PFM.13.E.1	Discuss the importance of establishing personal financial goals (e.g., long term, short term)
PFM.13.E.2	Identify reasons for saving and investing (e.g., education, emergency, down payment, retirement)
PFM.13.E.3	Compare and contrast methods of saving and investing (e.g., certificates of deposit, interest bearing savings account, individual retirement account, pension plans, stocks, bonds, mutual funds, real estate, annuities)
PFM.13.E.4	Explain the importance of investing to build wealth and meet financial goals (e.g., <i>Rule of 72</i> , <i>time value of money</i> , <i>70/20/10 rule</i> , <i>compound interest</i> , <i>simple interest</i>)
PFM.13.E.5	Evaluate insurance as a <i>risk management</i> strategy to protect against financial loss (e.g., auto, health, life, homeowners, renters, disability, liability)

Appendix

Glossary for Economics

70/20/10 rule	A rule of thumb that states the following: live on 70% of income, save 20%, and invest 10%
Absolute advantage	Occurs when one nation can produce an item with fewer resources or more efficiently than another nation
Budget deficit	A period of time when government expenditures exceed revenues
Cartel	An organization of sellers who wish to decrease or eliminate competition by limiting its output
Command economy	An economic system in which the basic economic questions are generally answered by the government
Comparative advantage	Ability to produce an item at a lower <i>opportunity cost</i>
Compound interest	Interest earned or paid on the principal and previously earned interest
Consumer Price Index (CPI)	A measure of changes in the prices of market basket items, specific <i>goods</i> and <i>services</i> commonly purchased by a typical family
Contraction	A phase of the business cycle during which economic activity is slowing
Contractionary	Policy implemented to decrease the money supply in an economy
Cooperatives	Organizations consisting of people who pool their resources to buy and sell more efficiently than they could independently
Corporation	A business owned by shareholders but treated by the law as if it were one person
Cost/benefit analysis	A tool used to evaluate the alternatives in economic decision making
Cyclical unemployment	Unemployment associated with changes in the overall rate of economic activity
Demand	The quantities of a particular <i>good</i> or <i>service</i> consumers are willing and able to buy at different possible prices
Demand curve	The graphic representation of <i>demand</i>
Depression	A <i>contraction</i> of the business cycle during which economic activity is far below its potential capacity for an extended period of time; a prolonged <i>recession</i> with high unemployment lasting more than a year
Divisibility	The capacity to be separated into parts
Division of labor	The division of a complex procedure into small tasks, enabling workers to increase output through <i>specialization</i>
Durability	The ability of a product to be reused
Embargos	Governmental bans on trade with one or more other nations
Entrepreneurship	The process of human resources assuming the risk of organizing other resources to produce <i>goods</i> and <i>services</i>
Equilibrium price	Price at which the <i>quantity demanded</i> is equal to the <i>quantity supplied</i>
Expansion	A phase of the business cycle during which economic activity is increasing
Expansionary	Policy implemented to increase the money supply in an economy
Extrinsic	Tangible factors that are desirable because of the recipient's personal values
Factors of production	The natural resources, human resources, capital resources, and <i>entrepreneurship</i> required to produce any <i>good</i> or <i>service</i>
Fiscal policy	The use of taxation and government spending to influence the economy
Fixed costs	Costs that remain the same regardless of how much production a business firm does
Frictional unemployment	Temporary unemployment caused by factors that are not related to the business cycle
Goods	Physical products businesses produce; tangible items of value

Gross Domestic Product (GDP)	The market value of final <i>goods</i> and <i>services</i> produced within a country during a year
Hybrid business	A form of business ownership that combines select features of the basic forms of ownership to reduce taxation and/or limit liability
Incentives	In <i>market economies</i> , the reasons for increasing profit, interest, wages, and rent
Inflation	Rise in the general level of prices; an economic period where prices are rising and purchasing power is decreasing
Intrinsic	Non-monetary factors that have no financial worth, but are desirable because of the recipient's personal values
Macroeconomics	The study of the economy as a whole
Market economy	An economic system in which the basic economic questions are generally answered by consumers and producers
Measure of value	Using the function of money to compare the market value of different <i>goods</i> and <i>services</i> ; a unit of account
Medium of exchange	Anything that is generally accepted as payment for <i>goods</i> and <i>services</i>
Microeconomics	The study of individual consumers and businesses
Mixed economy	An economic system in which the basic economic questions are answered by a mixture of <i>market</i> , <i>command</i> , and <i>traditional economies</i>
Monetary policy	A central bank's plan for regulating a nation's money supply and the availability of credit in order to accomplish certain economic goals
Monopolistic competition	A market that has a large number of sellers who produce <i>goods</i> and <i>services</i> that are essentially alike, but not identical
Monopoly	A market structure in which a single seller controls an entire industry
National debt	The total amount of money the government owes
Non-profit	A tax-exempt business organization created to provide public service
Off-shoring	When an organization contracts some of its work out to another individual or company in another country
Oligopoly	A market structure dominated by a small number of sellers
Opportunity cost	The best alternative given up when making a choice
Outsourcing	When an organization contracts some of its work out to another individual or company
PACED decision making model	A five-step process for making economic choices: (1) state the problem, (2) list the alternatives, (3) state the criteria, (4) evaluate the criteria, (5) make a decision
Partnership	A business organization that is owned by two or more people
Peak	A phase of the business cycle during which economic activity is at its highest
Perfect competition	An ideal market condition that includes a large number of sellers of identical <i>goods</i> and <i>services</i> and in which no one seller controls <i>supply</i> or <i>prices</i>
Phishing	A scam that uses online technology to deceive an individual into disclosing personal information
Portability	The general characteristic of being readily transportable from one location to another
Preservation of standards (protectionism)	The practice of developing domestic industries by protecting them from foreign competition
Progressive tax	A tax that takes a larger percentage of a higher income and a smaller percentage of a lower income
Proportional tax	A tax that takes the same percentage of all incomes
Quantity demanded	The amount of a <i>good</i> or <i>service</i> that consumers are willing and able to purchase at a particular price
Quantity supplied	The amount of a <i>good</i> or <i>service</i> that producers are willing and able to supply at a particular price

Quotas	Limits on how much of a particular <i>good</i> can be brought into a country during a specific period of time
Real Gross Domestic Product	Current <i>Gross Domestic Product</i> adjusted for <i>inflation</i>
Recession	A <i>contraction</i> of the business cycle during which economic activity slows for at least a period of six months
Regressive tax	A tax that takes a larger percentage of a lower income and a smaller percentage of a higher income
Risk management	An organized strategy for controlling financial loss
Rule of 72	A technique for estimating the number of years required to double your money at a given rate of return (72 divided by interest rate equals number of years)
Scarcity	The result of an inability to satisfy unlimited wants with limited resources
Seasonal unemployment	Unemployment caused by seasonal changes in the weather or in the <i>demand</i> for certain products
Services	Activities performed that satisfy people's wants or needs
Shortages	The result of <i>quantities demanded</i> exceeding <i>quantities supplied</i>
Simple interest	Interest earned or paid on principal only ($P \times R \times T$)
Sole proprietorship	A business owned by one person
Specialization	Occurs when an individual, business, or country produces a narrower range of <i>goods</i> and <i>services</i> than it consumes
Store of value	A characteristic of a <i>medium of exchange</i> that allows worth to be retained
Structural unemployment	Unemployment caused by technological innovations and changes in consumer <i>demands</i>
Subsidies	Governmental payments to an individual or business to encourage or protect particular economic activities
Supply	The quantities of a particular <i>good</i> or <i>service</i> a producer is willing and able to sell at different possible prices
Supply curve	The graphic representation of <i>supply</i>
Surpluses	The result of <i>quantities supplied</i> exceeding <i>quantities demanded</i>
Tariffs	Taxes on imports
Time value of money	Comparison of a lump sum of money, or series of equal payments, between two different time periods (e.g., present and future), assuming a specified interest rate and time period
Tradeoffs	A choice that involves giving up some of one thing to have more of another
Traditional economy	An economic system in which the basic economic questions are answered by tradition and custom
Trough	A phase of the business cycle during which economic activity is at its lowest
Underemployment	Workers are overqualified for their jobs or work fewer hours than they prefer
Variable costs	Costs that increase as the number of units produced increases
Voluntary exchange	The process of trading that occurs in markets