Course Title: Macro/Micro Economics AP
Course Number: 15016
Department: Social Studies
ADS Number: 27444151
Prerequisites: None
Length of Course: One Year
Credit/PRI Area: .50 per Sem
Elective *See Important Notes
Grade Level(s): 12

Important Notes:
*Successful completion of the entire year of this course fulfills the Economics requirement.
The student taking the course should have successfully completed Algebra II.
Although one of the goals of the course is to prepare the student for the Macroeconomics AP exam, the student is not required to take the exam.

COURSE DESCRIPTION:
Microeconomics and Macroeconomics AP provides the student with an in-depth understanding of the principles of economics. The intent of the year-long course is to prepare the student for both the Microeconomics and Macroeconomics AP exams. This course meets all the Economics standards as prescribed by the state. The focus of Microeconomics AP is on the principles of economics that apply to the functions of individual decision making, both as a consumer and a producer, within the larger economic system. Emphasis is placed on the nature and functions of product markets and includes the study of factor markets and their role of government in promoting greater efficiency and equity in the economy. The focus of Macroeconomics AP is on the principles of economics that relate to an economic system as a whole. Emphasis is placed on the study of national income and price determination. It introduces the student to economic performance measures, economic growth and international economics. In addition, the course provides the student with opportunities to apply literacy strategies and skills. The student who does not successfully complete both semesters is required to take the regular Economics course to earn Economics credit.

The Economics AP course is based on The College Board guidelines. References in parentheses following each performance standard refer to the Economics AP Program Course Description and are aligned with the New Mexico Economics Standards (NM).
STRATEGIES:
The “Illustrations” column provides exemplars of the performance standards, strategies, and the best practices suggested by Advanced Placement Economics teachers in the Albuquerque Public Schools.

ASSESSMENTS:
The “Illustrations” column also incorporates a variety of assessments and “check for” items suggested by Advanced Placement Economics teachers in APS. Assessments include authentic and performance-based assessment, cooperative learning, teacher observation, role playing, checklists, rubrics, tests and exams, formal and informal writing, small group and full class discussion, oral and multimedia presentations, projects, demonstrations, and portfolios.

SUGGESTED TEXTBOOKS AND INSTRUCTIONAL MATERIALS:
• Advance Placement Program Teacher’s Guide – AP Microeconomics and AP Macroeconomics
• Texts recommended by The College Board textbook list
• Access to the Internet

SUGGESTED TITLES/AUTHORS WEB SITES:
• www.collegeboard.org/ap – Advanced Placement Programs
• www/ncee.net/ea/standards– National Economics Standards

Approved by HSCA October 2004:
**STRAND 1: BASIC ECONOMIC CONCEPTS**

**CONTENT STANDARD:** The student understands basic economic principles and uses economic reasoning skills to analyze these principles.

**BENCHMARK:** The student interprets and analyzes the concept of scarcity and its implications on economic systems and trade.

<table>
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<tr>
<th>GRADE</th>
<th>PERFORMANCE STANDARDS</th>
<th>ILLUSTRATIONS</th>
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<tbody>
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| 1.    | Understands the existence of limited resources along with unlimited “wants” result in the need to make choices (NM – IVA2, 4; IVB1 – 3). | 1, 3. The student reads the scenario and responds to the question that follows. You are trying to decide whether to take a vacation. Most of the costs of the vacation (e.g., airfare, hotel, forgone wages) are measured in dollars, but the benefits of the vacation are psychological. How can you compare the benefits to the costs? Using a two-column organizer, list the benefits in one column and the costs in the other. Share your decision with a partner.  
- understanding of the concepts (i.e., limited resources, wants, needs scarcity, opportunity costs)  
- completed organizer  
- decision and its justification |
| 2.    | Distinguishes between macro- and microeconomics (NM – IVA8, IVB1 – 3). | 2. The student reads the situations and determines if it is an example of microeconomics or macroeconomics.  
- Following a period of high unemployment, the U.S. enters the fighting of World War II.  
- Following a period of full employment, the U.S. accelerated the war in Vietnam.  
- Following a period of discrimination against women and minorities, the U.S. legally ended such discrimination in the workplace.  
- Following a period that allowed lumber companies to log in publicity-owned land, a law was passed to protect the spotted owl’s habitat that ended logging in the area.  
- Although Americans have been at full-employment for almost a decade, our savings rate has dropped from 6% - 0%.  
- correct answers to situations |
<p>| 3.    | Analyzes fundamental economic concepts (i.e., scarcity, opportunity costs, and production possibilities) (NM –IVB1 – 3). |               |</p>
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<th>GRADE 12</th>
<th>PERFORMANCE STANDARDS</th>
<th>ILLUSTRATIONS</th>
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| 4. Graphs and analyzes production possibilities curves from sets of hypothetical curves. | 4. The student reads the following scenario and responds to the questions that follow. Society A produces military goods (guns) and consumer goods (butter).  
• Draw a production possibilities curve for guns and butter. Explain why it most likely has a bowed-out shape.  
• Show a point that is impossible for the economic to achieve. Show a point that is feasible but inefficient.  
• Imagine that Society A has two political parties called the Hawks (who want a strong military) and the Doves (who want a smaller military). Show a point on your production possibilities curve that the Hawks might choose and a point the Doves might choose.  
 ✓ accurate construction of graph  
 ✓ well-thought out explanations demonstrating understanding  
 ✓ correct representation of information on graph | |
| 5. Evaluates how different types of systems determine which goods and services to produce, how to produce them, and to whom to distribute them (NM – IVA3, 5; IVB1 – 3, 14; IVC4). | 5. The student reads the situation and responds to it. The country of Hiponia adopts a central planning model for its economy and you become the chief planner. Among the hundreds of decisions that you need to make for next year are how many recording contracts to produce, what music groups to record, and who should receive their music once it is produced.  
• To make these decisions intelligently, what information would you need to know about the music industry? What information would you need about each of the people who live in Hiponia?  
• How would your decisions about music contracts affect some of your other decisions, such as how many CDs to produce or how many CD or MP players to produce? How might some of your other decisions about the economy change your views about recording contracts?  
 ✓ understanding of different systems  
 ✓ understanding of the three basic economic questions (i.e., what to produce, how to produce them and to whom to distribute them) | |
<p>| 6. Determines the basis under which mutually advantageous trade can take place between countries (i.e., specialization, comparative advantage and absolute advantage) (NM – IVA10; IVC6). | 6. For the constant cost problem below, the student answers the following questions after creating a cost ratio table. Americans require 10 labor hours per unit of beef produced and 30 labor hours per unit of cotton produced. Canadians require 15 labor hours per unit of beef and 40 hours per unit of cotton. | |</p>
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<th>GRADE 12</th>
<th>PERFORMANCE STANDARDS</th>
<th>ILLUSTRATIONS</th>
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<td>• Does Output vary or does Input vary in this problem?</td>
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<td>• Who has the absolute advantage for each product?</td>
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<td>• Who has a comparative advantage for the first product?</td>
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<td></td>
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<td>• Who has a comparative advantage for the second product?</td>
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<td>• Within what range will the terms of trade be?</td>
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Remember: Output problems Opportunity cost goes Over (OOO)
Input problems Opportunity cost goes Under (IOU)
✓ accurate construction, including labeling of table
✓ correct answers to questions
**STRAND II: THE NATURE AND FUNCTIONS OF PRODUCT MARKETS**

**CONTENT STANDARD:** The student understands the nature and function of product markets which include supply-and-demand models, consumer choice theory, production and cost representations, and various market structures.

**BENCHMARK:** The student identifies, interprets, graphs, applies, and analyzes supply and demand, consumer choice, production and cost, and market structures.

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<th>GRADE 12</th>
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<td>1.</td>
<td>Graphs and analyzes supply and demand (NM – IVA10, 12).</td>
<td>1 – 2. The student explains each of the following statements using supply-and-demand diagrams. Then the student develops a statement of supply-and-demand and creates a supply-and-demand diagram to represent it.</td>
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| 2. | Analyzes the determinants of supply and demand and the ways in which changes in these determinants affect equilibrium price and output (NM – IVA9, 12). | • When a cold snap hits Florida, the price of grapefruit juice rises in supermarkets.  
• When the weather turns warm in the Northeast, prices of hotel rooms in the Florida Keys plunge.  
• When a war breaks out in the Middle East the gas price rises, while the price of a SUV declines.  
• When a hurricane destroys agricultural areas of South Carolina, the price of cotton increases.  
• When spring arrives, the availability of leather jackets decreases. |
| 3. | Identifies the impact of government policies (e.g., price floors and ceilings, excise taxes, tariffs and quotas, consumer surplus, producer surplus) (NM – IVA7, 9, 12). | ✓ correct explanations and accurate supply-and-demand diagrams  
✓ accurate student statement with supply-and-demand diagram |
| 4. | Identifies and applies the concept of elasticity to the analysis of real-world problems (NM – IVA9. 12). | 3. The student evaluates the following two statements by agreeing or disagreeing and explaining why. |
| | | • “If the government taxes land, the wealthy landowners will pass the tax on to their poorer renters.”  
• “If the government taxes apartment buildings, wealthy landlords will pass the tax on to their poorer renters.” |
| | | ✓ effective analysis of statement  
✓ justification of response |
| | | 4. The student reads each statement and determines which goods would have more elastic demand and why. |
| | | • required textbooks or mystery novels  
• Bach recordings or classical music recordings in general  
• heating oil during the next six months or heating oil during the next five years |
5. Identifies consumers maximized satisfaction (i.e., utility) (NM – IVA9, 11).

6. Interprets and graphs the theory of the firm and how individual firms and markets use cost and revenue cost to determine optimal output in the short run and long run (including externalities and public goods) (NM – IVA9; IVB9, 17).

7. Determines short-run and long-run equilibria, both for the profit-maximizing firm and for the industry in various market structures (i.e., monopolist, oligopoly, perfect competition, and monopolistic competition) (NM – IVB9).

8. Distinguishes between allocative and productive efficiency (NM – IVA9).

5. The student responds to the following problem: You are choosing between two goods, X and Y, and your marginal utility from each is as shown below. If your income is $9 and the prices of X and Y are $2 and $1, respectively, what quantities of each will you purchase to maximize utility? What total utility will you realize? Assume that other things remain unchanged, the price of X falls to $1. What quantities of X and Y will you now purchase? Using the two prices and quantities for X, derive a demand schedule for X.

<table>
<thead>
<tr>
<th>Units of X</th>
<th>MU_x</th>
<th>Units of Y</th>
<th>MU_y</th>
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<tbody>
<tr>
<td>1</td>
<td>10</td>
<td>1</td>
<td>8</td>
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<tr>
<td>2</td>
<td>8</td>
<td>2</td>
<td>7</td>
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- accurate and reasonable responses to questions
- correct analysis of table

6 – 8. The student reads the situation and answers the questions that follow. A perfectly competitive manufacturing industry is in long-run equilibrium. Energy is an important variable input in the production process, and therefore the price of energy is a variable cost. The price of energy decreases for all firms in the industry.

- Explain how and why the decrease in this input price will affect this manufacturing industry’s output and price in the short run.
- What will be the short-run effect on price, output, and profit of a typical firm in this manufacturing industry? Explain.
- Will firms enter or exit this manufacturing industry in the long run? Why?
- Explain whether or not this firm is producing the economically efficient level of output. In your answer include a brief definition of economic efficiency.
<table>
<thead>
<tr>
<th>GRADE 12</th>
<th>PERFORMANCE STANDARDS</th>
<th>ILLUSTRATIONS</th>
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|          | 9. Identifies and analyzes why the government should, in some cases, encourage competition and in others allow a regulated monopoly to exist (NM – IVA9). | - Create a graph illustrating the situation.  
  ✓ correct responses to questions  
  ✓ thorough explanations where requested  
  ✓ correct construction of graph  
  ✓ accurate information on graph |
|          | 10. Investigates and applies game theory (NM – IVA9). | 9. The student responds to the question: Singer Britney Spears has a monopoly over a scarce resource: herself. She is the only person who can produce a Britney Spears concert. Does this fact imply that the government should regulate the prices of her concerts? Why or why not?  
  - analysis of situation  
  - justification of response to question |
|          |                                                      | 10. The student describes several activities in his/her life in which game theory could be useful and explains the common link among the activities.  
  ✓ correct application of game theory  
  ✓ identification of common link(s) |
### STRAND III: MEASUREMENT OF ECONOMIC PERFORMANCE

**CONTENT STANDARD:** The student understands the ways economic performance is measured.

**BENCHMARK:** The student identifies, graphs, and explains national income accounts, circular flow, business cycles, inflation, and unemployment and their interrelationships.

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<tr>
<th>GRADE 12</th>
<th>PERFORMANCE STANDARDS</th>
<th>ILLUSTRATIONS</th>
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</thead>
<tbody>
<tr>
<td>1.</td>
<td>Identifies, graphs, and explains gross national product (GNP), gross domestic product and the circular flow model (GDP) (NM – IVA6; IVB4).</td>
<td>1. The student reads and responds to this problem: One day, a hair salon owner collects $800 in sales. Over this day, his/her equipment depreciates in value by $100. He/She sends $60 to the government in sales taxes, takes home $440 in wages, and retains $200 in his/her business to add new equipment in the future. From the $440 in wages that he/she takes home, he/she pays $140 in income taxes. Based on this information, compute and graph his/her contribution to the following measures of income.</td>
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<td>2.</td>
<td>Examines and interprets income measures distinguishing between nominal and real values using price indices (i.e., gross national produce, deflators, consumer price index).</td>
<td>2. The student reads the headline: “Real GDP Drops 3% This Year: Further Drops Likely Next Year, Say Economists.”</td>
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<tr>
<td>3.</td>
<td>Identifies, examines and evaluates unemployment and the costs of each (NM – IVB10).</td>
<td>3. The student determines what groups are hurt by inflation and what groups benefit from inflation. After each determination, the student explains why.</td>
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#### PERFORMANCE STANDARDS
- Identifies, graphs, and explains gross national product (GNP), gross domestic product and the circular flow model (GDP) (NM – IVA6; IVB4).
- Examines and interprets income measures distinguishing between nominal and real values using price indices (i.e., gross national produce, deflators, consumer price index).
- Identifies, examines and evaluates unemployment and the costs of each (NM – IVB10).

#### ILLUSTRATIONS
1. The student reads and responds to this problem: One day, a hair salon owner collects $800 in sales. Over this day, his/her equipment depreciates in value by $100. He/She sends $60 to the government in sales taxes, takes home $440 in wages, and retains $200 in his/her business to add new equipment in the future. From the $440 in wages that he/she takes home, he/she pays $140 in income taxes. Based on this information, compute and graph his/her contribution to the following measures of income.
   - gross domestic product
   - gross national product
   - national income
   - personal income
   - disposable personal income
   - correct identification and application of economic concepts
   - accurate construction of graph with required information

2. The student reads the headline: “Real GDP Drops 3% This Year: Further Drops Likely Next Year, Say Economists.”
   - What does this headline mean? Be specific.
   - Why do people care about the problem?
   - What is the difference between real GDP and nominal GDP?
   - correct and complete answers
   - understanding of economic concepts

3. The student determines what groups are hurt by inflation and what groups benefit from inflation. After each determination, the student explains why.
   - Banks extend many fixed-rate loans.
   - A farmer buys machinery with a fixed-rate loan to be repaid over a ten-year period.
   - Your family buys a new home with an adjustable-rate mortgage.
   - Your savings from your summer job are in a savings account paying a fixed rate of interest.
<table>
<thead>
<tr>
<th>GRADE 12</th>
<th>PERFORMANCE STANDARDS</th>
<th>ILLUSTRATIONS</th>
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|          | 4. Examines actual levels of U.S. inflation, unemployment, business cycles, gross national product, gross domestic product as well as the ways the changes in one may affect the others (NM – IVA10). | • A widow lives entirely on income from fixed-rate corporate bonds.  
  • A retired couple lives entirely on income from a pension the woman receives from her former employer.  
  • A retired man lives entirely on income from Social Security.  
  • A retired bank official lives entirely on income from stock dividends.  
    ✓ correct application of inflation effects  
    ✓ analysis and evaluation of each situation |
|          | 5. Identifies the determinants of and obstacles to economic growth (NM – IVB4, 10, 16; IVC1). | 4. For the situation below the student illustrates on a graph the change of the AD/AS and describes the effect on the equilibrium price level and real national output determining if it is an increase, decrease, or unchanged.  
With the unemployment rate at five percent, the federal government reduces personal taxes and increases government spending. Show the change in AD only:  
• Is there an increase, decrease, or unchanged price level?  
• Is there an increase, decrease, or unchanged real national output (GDP)?  
  ✓ correct graphing  
  ✓ complete labeling  
  ✓ analysis of the effect of price level and GDP |
|          | 6. Identifies, analyzes, and evaluates the contributions of growth to job creation and economic well-being (NM – IVB16; IVC1). | 5 – 6. The student responds to these questions:  
• What are the major causes of economic growth?  
• “There are both a demand side and a supply side of economic growth.” Explain this statement.  
• Illustrate the operation of both sets of factors in terms of the production possibilities curve.  
  ✓ correct responses to questions  
  ✓ accurate illustration of the determinants of growth |
## STRAND IV: MACROECONOMIC THEORY AND POLICY

**CONTENT STANDARD:** The student understands macroeconomic theories and the implications of different economic policies.

**BENCHMARK:** The student compares and evaluates different economic theories and their applications.

<table>
<thead>
<tr>
<th>GRADE 12</th>
<th>PERFORMANCE STANDARDS</th>
<th>ILLUSTRATIONS</th>
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<td>1. Recognizes, analyzes, graphs, and manipulates the nature and shape of the aggregate demand and supply curves (NM – IVA7, 11; IVB12).</td>
<td>1. During the past year, real GDP grew 3%, inflation increased 5%, and unemployment was 5.5%. During this year the U.S. government cut spending on a wide variety of programs including Medicare and Medicaid. Using the AD-AS, the Business Cycle, and the Ppf models, show what happened to output, price level, and employment as a result of this change in a diagram form. Be sure to explain the sequence and your logic in a paragraph.</td>
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<td>2. Distinguishes the differences between Keynesian, classical and neo classical (rational expectation) views of the shape of the aggregates (NM – IVA7, 11; IVB1, 6, 8, 11, 15; IVC2 – 4, 10 – 11).</td>
<td>2, 11. Participating in a small group discussion, the student responds to these questions:</td>
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<td>3. Investigates the effect of government fiscal policy on aggregate demand (NM – IVA7; IVB11).</td>
<td>• Are wages and prices downwardly flexible in the event of decreases in aggregate demand? Explain why or why not.</td>
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<td>4. Identifies and explains money, fractional reserve banking, the Federal Reserve System and the effect of monetary policy (NM – IVA7, 13; IVC2 – 3, 9).</td>
<td>• Does a capitalist economy contain inherent self-adjusting mechanisms that assist it in achieving and sustaining full-employment levels of output?</td>
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<td>• What should be the proper role of government in the capitalist economy? Explain why.</td>
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<td>✓ accurate and thorough responses to questions</td>
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<td>✓ understanding economic theories</td>
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<td>3, 5. See Illustration #5 in Strand VII.</td>
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<td>4. The student describes the conditions under which an increase in money supply will become inflationary and under what conditions an increase in the money supply will not become inflationary.</td>
<td>✓ accurate information</td>
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<td>✓ understanding economic concepts</td>
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<td>✓ correct writing conventions</td>
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| 5. | Explains and applies the tools of monetary and fiscal policies (NM – IVA7). | 5. The student responds to this two-part question: **Essay question:** The unemployment rate in Country X has risen from 5% to 9%. Describe in detail one specific monetary and one specific fiscal policy action you would take to reduce unemployment. Explain how each would affect each of the following in the short run.  
- aggregate-demand  
- output and the price level  
- real interest rates  
  ✓ correct writing conventions  
  ✓ analysis of problem  
  ✓ understanding of monetary and fiscal policies  

**Graph Question:** Graphically show the monetary policy.  
✓ correct construction and labeling of graphs  
✓ correct curves  
✓ accurate data on graph |
| 6. | Defines the determinants of the demand for money (NM – IVA7). | 6. The student responds to this question: In the early 1980s, new legislation allowed banks to pay interest on checking deposits, which they could not do previously.  
- If we define money to include checking deposits, what effect did this legislation have on money demand? Explain.  
- If the Federal Reserve had maintained a constant money supply in the face of this change, what would have happened to the interest rate? What would have happened to aggregate demand and aggregate output?  
  ✓ application of the determinants of the demand for money  
  ✓ thoughtful answers applying economic concepts |
| 7. | Investigates how changes in aggregate demand affect the money market and how equilibrium in the money market determines interest rates. | 7. The student reads this statement, determines whether it is true or false, and explains why. “Government deficits may impose a real burden on future generations if, as a result of crowding out, there is less private investment and a smaller capital stock in the future.”  
✓ correct interpretation of quote  
✓ correct analysis of situation  
✓ rationale of response |
- Show the impact of such a change in both the aggregate- |
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<td>9. Distinguishes and analyzes between the short-run and long-run effects of supply shocks.</td>
<td>demand/aggregate-supply diagram and in the Phillips Curve diagram. What happens to inflation and unemployment in the short run?</td>
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<td>10. Evaluates the trade off between inflation and unemployment and how it may be different in the short and long run (i.e., Phillips Curve) (NM – IVC3).</td>
<td>• Do the effects of this event mean there is no short-run trade off between inflation and unemployment? Why or why not?</td>
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<td>11. Examines the role of expectations in macroeconomic theory.</td>
<td>✓ analysis of the effect of supply shock</td>
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<td>12. Analyzes how differing viewpoints over both the cause and rate of change of macroeconomic expectations divide the economic theorists.</td>
<td>✓ evaluation of the trade off between inflation and unemployment</td>
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<td>11. The student explains how the rational expectations policy affect macroeconomic theory and its application to the trade off between inflation and unemployment.</td>
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<td>✓ correct answer with appropriate examples</td>
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<td>12. The student responds to the questions: Would you expect economists to disagree less about public policy as time goes on? Why or why not? Can their differences be completely eliminated? Why or why not?</td>
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<td>✓ thorough responses to each question using examples</td>
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<td>✓ description of viewpoints</td>
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**STRAND V: INTERNATIONAL FINANCE, EXCHANGE RATES, AND BALANCE OF PAYMENT**

**CONTENT STANDARD:** The student understands that macroeconomic policy has important ramifications for international economics.

**BENCHMARK:** The student identifies, graphs, and analyzes the effects of macroeconomic policy on international factors such as exchange rates and balance of payments.

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<tr>
<th>GRADE 12</th>
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<td>1, 3. The student responds to this question: Do the following events cause the dollar to appreciate against the Euro or to depreciate? Tell why.</td>
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<td>• Health experts discover that red wine, especially French and Italian red wine, lowers cholesterol.</td>
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<td>• GDP in nations across Europe falls.</td>
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<td>• The United States experiences a higher inflation rate than Europe does.</td>
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</tbody>
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|          |                        |   • The United States runs a large budget deficit.  
|          |                        |     ✓ justification of reasoning  
|          |                        |     ✓ application of economic concepts |
|          | 1. Recognizes that international forces, often beyond a country’s control, affect a country’s exchange rate which affect a country’s price level, unemployment, and level of output (NM – IVA10; IVB7; IVC1, 4, 5, 7, 8, 12). | 2. The student responds to this scenario: Assume that the United States has placed a high tariff on foreign bicycles.  
|          |                        |   a. Use a supply and demand graph to show the effect of the tariff on the U.S. market for foreign-produced bicycles.  
|          |                        |   b. Use a supply and demand graph to show the effect of the tariff on the U.S. market for domestically produced bicycles.  
|          |                        |   c. What are the effects of the tariff on:  
|          |                        |     • Foreign bicycle manufacturers?  
|          |                        |     • Domestic bicycle manufacturers?  
|          |                        |     • U.S. consumers?  
|          |                        |     ✓ accuracy of graphs  
|          |                        |     ✓ thorough explanations to questions |
|          | 2. Examines, evaluates and graphs the effects of trade restrictions and applies them to the global economy (NM – IVA10; IVB7, 8, 13; IVC1, 4, 5, 7, 8, 12). | 3. The student responds to this scenario: Assume an economy is in a recession.  
|          |                        |   a. Identify one monetary policy action and one fiscal policy action that could be used to help the economy out of the recession. Explain the effect of each policy on the price level and the equilibrium level of output.  
<p>|          |                        |   b. Given your answer in part (a) on the price level effect, explain the effect the policy actions you identified in part (a) would have on the economy’s imports and its exports. |
|          | 3. Analyzes how the international payment system hinders or facilitates trade and output (NM – IVA10; IVB7; IVC1, 4, 5, 7, 8). | |
|          | 4. Investigates and interprets how domestic policy actions affect international finance, trade, and output (NM – IVA10; IVB7; IVC1, 4, 5, 7, 8, 10). | |
|          | 5. Explores how international exchange rates affect domestic policy goals and output (NM – IVA10; IVB7; IVC1, 4, 5, 7, 8, 12). | |</p>
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<th>GRADE 12</th>
<th>PERFORMANCE STANDARDS</th>
<th>ILLUSTRATIONS</th>
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<td>c. Given your answer in part (a) on the output effect, explain the effect the policy action you identified in part (a) would have on the economy’s imports and exports.</td>
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<td>d. Given your answers above, explain what effect the policy actions would have on the international value of the dollar.</td>
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<td>✓ complete answers to questions a – d.</td>
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<td>✓ application of economic concepts (e.g., monetary policy, fiscal policy, output effect)</td>
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### STRAND VI: FACTOR MARKETS

**CONTENT STANDARD:** The student applies the concept of supply and demand in the product and factor markets.

**BENCHMARK:** The student identifies, applies, and analyzes supply and demand in the product and factor markets including labor, capital, land, and entrepreneurship.

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<th>PERFORMANCE STANDARDS</th>
<th>ILLUSTRATIONS</th>
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| 1.       | Analyzes the concept of derived demand. | 1 – 2. The student answers these questions:  
- What is the significance of resource pricing?  
- Explain how the factors determine resource demand differ from those underlying product demand.  
- Explain the meaning and significance of the fact that the demand for a resource is a derived demand.  
- Why do resource demand curves slope downward? ✓ accurate responses to questions ✓ understanding of concepts (i.e., derived demand, marginal product, marginal revenue) |
| 2.       | Understands how a factor’s marginal product and the marginal revenue of the product affect the demand for the factor (NM – IVB4, 5, 17). |  |  |
| 3.       | Identifies and explains the labor market to include minimum wage, unions, and product market monopolies (NM – IVA7, 9). | 3. The student responds to this situational problem: Assume two labor markets. Market 1 is competitive and Market 2 is monopolistic. Assume that each of the markets is an initial equilibrium. Assume further that in each of the markets, a union is formed for each of the union goals.  
- Illustrate on each graph the effects of the union goal.  
- Identify the effects of the union on the wage rate and the number of workers employed. Explain the effects. ✓ correct depictions and labeling on graphs ✓ thorough explanation of the effects |
### STRAND VII: ROLE OF GOVERNMENT
**CONTENT STANDARD:** The student evaluates the economic role for government in a market economy.

**BENCHMARK:** The student identifies and analyzes the arguments for and against government intervention in the competitive market.

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|          | 1. Calculates the benefits of the government policy to determine when it outweighs the cost (NM – IVB 6, 13). | 1. In a small group setting, the student discusses each of the following statements from the standpoints of equity and efficiency.  
- “Everyone in society should be guaranteed the best health care possible.”  
- “When workers are laid off, they should be able to collect unemployment benefits until they find a new job.”  
  ✓ justification of answers of both standpoints |
|          | 2. Examines and shows graphically the conditions for economic efficiency and the ways in which public goods and externalities generate market failures (NM – IVB 6, 12 – 13). | 2 – 3. The student explains whether each of the following government activities is motivated by a concern about equity or a concern about efficiency. In the case of efficiency, the student discusses the type of market failure involved.  
- regulating cable prices  
- providing the working poor with children with vouchers that can be used for childcare  
- prohibiting smoking in public places  
- imposing higher personal income tax rates on people with high incomes  
- instituting laws against driving while under the influence  
  ✓ understanding of concepts (i.e., equity, efficiency, market failures)  
  ✓ correct identification of types of market failures |
|          | 3. Evaluates the effectiveness of government policies such as subsidies, taxes, quantity controls and public provision of goods and services which are designed to correct market failures (NM – IVB 6, 12 – 13). |          |
|          | 4. Investigates and analyzes the impact of government tax policies and transfer programs on both the distribution of income and economic efficiency (NM – IVB 6, 12 – 13). | 4. The student responds to this question: Various politicians seek to impose a flat tax that would require each person to pay a flat amount to the government independent of his or her income or wealth. What are the effects of such a tax on economic efficiency? What is the effect on economic equity? Do you think this would be a popular tax? Why or why not?  
  ✓ correct analysis of questions  
  ✓ justification of responses  
  ✓ understanding of economic concepts |