

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STANDARD**

12.13 Students understand common economic terms, concepts and economic reasoning, in terms of:

**TEACHER STRATEGY**

**OBJECTIVES**

12.13.1 The causal relationship between scarcity and the need for choices.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STUDENT TASK**

**ASSESSMENT**

**RESOURCES AND TECHNOLOGY**

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STANDARD**

12.13 Students understand common economic terms, concepts and economic reasoning, in terms of:

**TEACHER STRATEGY**

**OBJECTIVES**

12.13.2 Opportunity cost, marginal benefit and marginal cost.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STUDENT TASK**

**ASSESSMENT**

**RESOURCES AND TECHNOLOGY**

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STANDARD**

12.13 Students understand common economic terms, concepts and economic reasoning, in terms of:

**TEACHER STRATEGY**

**OBJECTIVES**

12.13.3 The difference between monetary and non-monetary incentives and how changes in incentives cause changes in behavior.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STUDENT TASK**

**ASSESSMENT**

**RESOURCES AND TECHNOLOGY**

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STANDARD**

12.13 Students understand common economic terms, concepts and economic reasoning, in terms of:

**TEACHER STRATEGY**

**OBJECTIVES**

12.13.4 The role of private property as an incentive in conserving and improving scarce resources, including renewable and non-renewable natural resources.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STUDENT TASK**

**ASSESSMENT**

**RESOURCES AND TECHNOLOGY**



**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STANDARD**

12.13 Students understand common economic terms, concepts and economic reasoning, in terms of:

**TEACHER STRATEGY**

**OBJECTIVES**

12.13.5 The role of a market economy in establishing and preserving political and personal liberty.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STUDENT TASK**

**ASSESSMENT**

**RESOURCES AND TECHNOLOGY**

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
**ECONOMICS GRADE TWELVE**

**STANDARD**

12.14 Students analyze the elements of the U.S. market economy in a global setting, in terms of:

**TEACHER STRATEGY**

**OBJECTIVES**

12.14.1 The relationship of the concept of incentives to the law of supply and the relationship of the concept of incentives and substitutes of the law of demand.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STUDENT TASK**

**ASSESSMENT**

**RESOURCES AND TECHNOLOGY**

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STANDARD**

12.14 Students analyze the elements of the U.S. market economy in a global setting, in terms of:

**TEACHER STRATEGY**

**OBJECTIVES**

12.14.2 The effect of changes in supply and/or demand on the relative scarcity, price and quantity of particular products.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STUDENT TASK**

**ASSESSMENT**

**RESOURCES AND TECHNOLOGY**

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STANDARD**

12.14 Students analyze the elements of the U.S. market economy in a global setting, in terms of:

**TEACHER STRATEGY**

**OBJECTIVES**

12.14.3 The role of property rights, competition, and profit in a market economy.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STUDENT TASK**

**ASSESSMENT**

**RESOURCES AND TECHNOLOGY**



**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STANDARD**

12.14 Students analyze the elements of the U.S. market economy in a global setting, in terms of:

**TEACHER STRATEGY**

**OBJECTIVES**

12.14.4 How prices reflect the relative scarcity of goods and services and perform the allocate function in a market economy.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STUDENT TASK**

**ASSESSMENT**

**RESOURCES AND TECHNOLOGY**

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STANDARD**

12.14 Students analyze the elements of the U.S. market economy in a global setting, in terms of:

**TEACHER STRATEGY**

**OBJECTIVES**

12.14.5 The process by which competition among buyers and sellers determines a market clearing price.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STUDENT TASK**

**ASSESSMENT**

**RESOURCES AND TECHNOLOGY**

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STANDARD**

12.14 Students analyze the elements of the U.S. market economy in a global setting, in terms of:

**TEACHER STRATEGY**

**OBJECTIVES**

12.14.6 The effect of price controls on buyers and sellers.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STUDENT TASK**

**ASSESSMENT**

**RESOURCES AND TECHNOLOGY**

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
**ECONOMICS GRADE TWELVE**

**STANDARD**

12.14 Students analyze the elements of the U.S. market economy in a global setting, in terms of:

**TEACHER STRATEGY**

**OBJECTIVES**

12.14.7 The role of domestic and international competition in a market economy in terms of goods and services produced, and the quality, quantity, and price of those products.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STUDENT TASK**

**ASSESSMENT**

**RESOURCES AND TECHNOLOGY**



**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STANDARD**

12.14 Students analyze the elements of the U.S. market economy in a global setting, in terms of:

**TEACHER STRATEGY**

**OBJECTIVES**

12.14.8 The role of profit as the incentive to the entrepreneurs in a market economy.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STUDENT TASK**

**ASSESSMENT**

**RESOURCES AND TECHNOLOGY**

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STANDARD**

12.14 Students analyze the elements of the U.S. market economy in a global setting, in terms of:

**TEACHER STRATEGY**

**OBJECTIVES**

12.14.9 The functions of the financial markets.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STUDENT TASK**

**ASSESSMENT**

**RESOURCES AND TECHNOLOGY**

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STANDARD**

12.14 Students analyze the elements of the U.S. market economy in a global setting, in terms of:

**TEACHER STRATEGY**

**OBJECTIVES**

12.14.10 The economic principles that guide the location of agricultural production and industry and the spatial distribution of transportation and retailing facilities.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STUDENT TASK**

**ASSESSMENT**

**RESOURCES AND TECHNOLOGY**

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STANDARD**

12.15 Students analyze the influences of the U.S. government on the American economy, in terms of:

**TEACHER STRATEGY**

**OBJECTIVES**

12.15.1 How the role of government in a market economy often includes providing for national defense, addressing environmental concerns, defining and enforcing property rights, attempting to make markets more competitive, and protecting consumer rights.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STUDENT TASK**

**ASSESSMENT**

**RESOURCES AND TECHNOLOGY**



**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STANDARD**

12.15 Students analyze the influences of the U.S. government on the American economy, in terms of:

**TEACHER STRATEGY**

**OBJECTIVES**

12.15.2 The factors that may cause the costs of government actions to outweigh the benefits.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STUDENT TASK**

**ASSESSMENT**

**RESOURCES AND TECHNOLOGY**

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STANDARD**

12.15 Students analyze the influences of the U.S. government on the American economy, in terms of:

**TEACHER STRATEGY**

**OBJECTIVES**

12.15.3 The aims of government fiscal policies (taxation, borrowing, and spending) and their influence on production, employment, and price levels.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STUDENT TASK**

**ASSESSMENT**

**RESOURCES AND TECHNOLOGY**

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STANDARD**

12.15 Students analyze the influences of the U.S. government on the American economy, in terms of:

**TEACHER STRATEGY**

**OBJECTIVES**

12.15.4 The aims and tools of monetary policy and their influence on economic activity.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STUDENT TASK**

**ASSESSMENT**

**RESOURCES AND TECHNOLOGY**

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STANDARD**

12.16 Students analyze the elements of the U.S. labor market in a global setting, in terms of:

**OBJECTIVES**

- 12.16.1 The operations of the labor unions, procedures used to gain benefits for its members, the effect of unionization, the minimum wage, and unemployment insurance.
- Define and identify key vocabulary.
  - Recall conditions that brought about a need for worker organizations.
  - Respond to questions about the early history of labor unions.

**TEACHER STRATEGY**

- Begin by asking students what kinds of conditions workers had to endure until the period following World War I.
- Ask students what workers could do about these conditions.
- Write on the board: What is a labor union? Allow students to answer. Discuss their answers.
- Pass out student Handouts 1 and 2.
- Teacher provides information necessary to complete assignments.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STUDENT TASK**

Defining Terms

- Students work on Handout 1. They define the important terms. After students finish assignments, teacher collects assignment to make sure it is correct.
- Students read Handout 2, “American Labor: The Struggle for Identity (1790-1930).” Students answer questions on the reading.

**ASSESSMENT**

- Teacher assigns points for test on vocabulary terms.
- Teacher gives grade or points for completing worksheets.

**RESOURCES AND TECHNOLOGY**

Lambert, Kenneth and Pangrace, Paul.  
Microeconomics and the American Economy, Wm. C. Brown. Publishers 1988.



**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STANDARD**

12.16 Students analyze the elements of the U.S. labor market in a global setting, in terms of:

**OBJECTIVES**

12.16.2 The current economy and labor market including the types of goods and services produced, types of skills necessary, the effect of rapid technological change, and the impact of international competition.

**TEACHER ASSESSMENT**

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STUDENT TASK**

**ASSESSMENT**

**RESOURCES AND TECHNOLOGY**

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STANDARD**

12.16 Students analyze the elements of the U.S. labor market in a global setting, in terms of:

**OBJECTIVES**

12.16.3 Wage differences among jobs and professions using the laws of demand and supply and the concept of productivity.

- Define essential terms
- Critically evaluate a reading on differences in wages
- Use of dictionary in defining job categories
- Write an essay on legislation dealing with wage rates

**TEACHER STRATEGY**

- This Social Studies Skill Builder allows students to understand how wages are determined.
- Teacher introduces vocabulary list. Teacher may assist students by giving them definitions, or point out where they could be found.
- Teacher provides any pertinent information that students may need in order to complete Handouts and related assignments..
- Teacher reviews assignments and may devise a quiz or test in order to assess learning.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STUDENT TASK**

Defining Terms

- Students define terms that are written on board or overhead transparency.
- Suggested terms are: labor force, collective bargaining, AFL, CIO, closed shop, open shop, conciliation, mediation, arbitration, lockout, injunction, yellow-dog contract, blacklist, strike, picket, boycott.
- After students finish defining terms, they turn them in for credit and to be corrected.
- Wages of Labor.
- Students will read Handout “Wages of Labor” (see attached) individually or can be read aloud in class by teacher. Allow time for discussion and questions.
- Review important concepts such as real wages, wage-fund theory, law of wages, marginal productivity theory, and productivity.
- Students will read and answer questions on Adam Smith’s excerpt from the “Wealth of Nations” (see attached).
- Students define the following job categories: white collar worker, blue collar worker, semi-skilled worker, unskilled worker.
- Students will work in pairs on “Laws Affecting Labor” activity (see attached).

**ASSESSMENT**

- Teacher assigns points for test on vocabulary terms.
- Teacher assigns questions (see attached Handout).
- Points should be given to students for correct responses.
- Students answer questions on excerpt, “Wealth of Nations.”
- Teacher asks questions matching activity on job categories (see attached).
- After completing chart, students choose one of the five proposed pieces of legislation and write a short essay supporting their answers in the chart. Essay graded according to teacher’s discretion and objectivity.

**RESOURCES AND TECHNOLOGY**

Ehrman, Ted, Henry George School

Junior Achievement, Economics Text, 4<sup>th</sup> edition, Junior Achievement, Inc., 1996

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STANDARD**

12.16 Students analyze the elements of the U.S. labor market in a global setting, in terms of:

**OBJECTIVES**

12.16.4 The effects of international mobility of capital and labor on the U.S. economy.

**TEACHER STRATEGY**

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STUDENT TASK**

**ASSESSMENT**

**RESOURCES AND TECHNOLOGY**

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STANDARD**

12.17 Analyze aggregate economic behavior of the U.S. economy by:

**OBJECTIVES**

12.17.1 Distinguish between nominal and real data.

**Key Terms:** Consumer price index (CPI), gross domestic product (GDP), gross national product (GNP), gross national product price deflator (GDP price deflator), nominal dollars, real dollars, real gross domestic product and real interest rate.

**Definitions/Key Information:**

**Consumer Price Index:** This is the average of prices of the sorts of goods purchased by consumers. Ex.: VCRs, televisions.

**Gross Domestic Product:** The total market value of all goods and services produced by an economy during a given amount of time, usually one year. This is the Federal Government's official measure of how much output our nation produces.

This is often abbreviated as "GDP" and is the new measure of output replacing the old measure of "GNP", gross national product.

**Gross Domestic Product (GDP) Price Deflator:** A price index based on the calculation of real "gross domestic product" that is used as an indicator of average prices in the economy.

Real GDP and nominal GDP are both calculated using the same production numbers, their only difference is the change deflator is calculated using as the ratio of nominal GDP to real GDP. "Inflation" is measured by calculating the percentage change in the GDP price deflator from one year to the next.

Ex.: If the deflator had a value of 150 last year and 160 this year, then the rate of inflation is 6.7% ( $\frac{160-150}{150}$ ).

**TEACHER STRATEGY**

1. Teacher will brainstorm with the students their knowledge about the key terms. After utilizing this opening to ascertain what the students' background knowledge level in this area is the teacher should move to step #2.
2. Hand out the student "key information" sheet or use this as a basis for a lecture. Have the students reword the definitions, compare/contrast the terms and create an example of each.
3. Have the students get into groups of 3-4 students. Each group is to review a graph and try to explain its implications. They should try to use some of the key terms referred to in their reading/lecture. When the groups have completed their discussion, have each team explain their graph to the class.
4. Homework Options:
  - a. Have the students go to the library and research other countries inflation rates, GNP/GDP, and CPI. Compare that data to the U.S. data. What are the implications of this comparison? Write a brief paragraph explaining their interpretations of the information.
  - b. Use the graphs as a homework assignment and have the students explain each of the graphs themselves or use it as the first step in a jigsaw activity.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

Nominal Dollars: The actual dollar price of items when it is bought or sold.

Real Dollars: The value of an item or items after adjusting for inflation. Economists are interested in comparing the production in one year with another year. Inflation, if not accounted for, can distort such a comparison, so it is best made using a set price that will eliminate the inflationary factor. This is accomplished by using a “base year” price. Once the price differences have been eliminated, the numbers are said to be measured in real dollars.

Real Gross Domestic Product: The value of our economy’s “gross domestic product” (GDP) after adjusting for inflation. To calculate, answer the question: “What is the value of our GDP if we use the prices charged for those items during some other year?” By calculating this year’s GDP and last year’s GDP using prices from a base year, we can eliminate any change in GDP resulting from changing prices. “Real GDP” will allow us to see changes exclusively due to production. Real GDP is the measurement used to effectively evaluate business cycle progression.

Real Interest Rate: The market, or “nominal interest rate”, after adjusting for “inflation.” This is the interest rate lenders receive and borrowers pay expressed in “real dollars.” There are two views of the real interest rate: (1) the historical, after the fact rate, the rate you pay for a loan or (2) the desired rate the consumers or lenders want when entering into a loan, the projected rate.



**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STUDENT TASK**

**ASSESSMENT**

**RESOURCES AND TECHNOLOGY**

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STANDARD**

12.17 Analyze aggregate economic behavior of the U.S. economy by:

**TEACHER STRATEGY**

**OBJECTIVES**

12.17.2 Defining, calculating and explaining the significance of an unemployment rate, the number of new jobs created monthly, an inflation or deflation rate, and the rate of economic growth.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STUDENT TASK**

**ASSESSMENT**

**RESOURCES AND TECHNOLOGY**

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STANDARD**

12.17 Analyze aggregate economic behavior of the U.S. economy by:

**TEACHER STRATEGY**

**OBJECTIVES**

12.17.3 Distinguishing between short-term and long-term interest rates and explaining their relative significance.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STUDENT TASK**

**ASSESSMENT**

**RESOURCES AND TECHNOLOGY**

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STANDARD**

12.18 Students analyze issues of international trade, and explain how the U.S. economy affects, and is affected by economic forces beyond its borders, in terms of:

**OBJECTIVES**

12.18.1 Students will analyze the gains in consumption and production efficiency from trade with emphasis on the main products and changing geographic patterns of twentieth century trade among countries in the Western Hemisphere.

**TEACHER STRATEGY**

Vocabulary and concept development.

Students will:

1. Define comparative advantage
2. Understand why nations gain from trade
3. Understand the pros and cons of protectionism
4. Understand the concept of “unfair trade”

Vocabulary

1. Comparative Advantage
2. Absolute Advantage
3. Specialization
4. Interdependence
5. Opportunity Cost Ratio
6. Protectionism
7. Quota
8. Dumping

Divide the class into thirds. Designate one group as farmers, one group as tailors, and one group as builders. To complete the assignment, see attached.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STUDENT TASK**

See Attached

**ASSESSMENT**

Break students into groups and have them discuss comparative and absolute advantage. To complete the assignment each group will research a country with which the United States has a “favorable trade” policy and prepare a presentation showing they have an understanding of the vocabulary words for this lesson by applying the principles they learn from the task, to the country they have chosen.

**RESOURCES AND TECHNOLOGY**

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STANDARDS**

12.18 Students analyze issues of international trade, and explain how the U.S. economy affects, and is affected by economic forces beyond its borders, in terms of:

**OBJECTIVES**

12.18.2 The reason for, and the effective trade restrictions, in the Great Depression compared with the present day arguments among labor, business, and political leaders over the effects of free trade on the economic and social interests of various groups of Americans.

**TEACHER STRATEGY**

Students apply their knowledge of word origins both to determine the meaning of new words encountered in reading materials and to use those words accurately.

Identify and use the economic and political meanings of words.

Distinguish between the denotative and connotative power of words, and interpret the connotative meaning power of word.

Identify and use knowledge of the origins of Great Depression to understand the meaning of New World, Free trade, economics interest and political interest.

In introducing vocabulary and the following procedure leads to enhanced strategies for vocabulary development.

Before assigning a reading, write a quotation from the work on a 3 x 5 card. Write one quotation per card (see Step 1 under STUDENT TASK).

Pair students as partners. Give each pair one card with reason on it along with a blank 3 x 5 card.

Allow student pairs 3-5 minutes to explain the reason and write on the blank card.

Have student pairs read aloud the reason along with their explanation.



**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
**ECONOMICS GRADE TWELVE**

**STUDENT TASK**

Before reading the chapter, students work with a partner to figure out some of the political and economic concepts and theories. Each pair is going to explain the terms and read them out loud. Teacher will comment after the vocabularies and their application to the real life.

Example: Introducing – Great Depression

**Step 1**

“What does the Great Depression mean?”

**Step 2**

“Where does the Great Depression come from?”

After the “explanation,” the teacher might comment on the following:

- Unemployment
- Bankruptcies
- Factory Shut Down
- Stock Market Crash

**Step 3**

Guess the meanings of:

- Trade Restriction
- Labor
- Free Trade
- Business

**ASSESSMENT**

The students are able to identify: free trade, trade restriction, labor.

Students should be able to give a current example. They should be able to make a connection like the results of free vs. restriction trade.

**RESOURCES AND TECHNOLOGY**

Nightly Business Report: World Markets from Channel 9

Labor Union Representative

Internet

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STANDARD**

12.18 Students analyze issues of international trade, and explain how the U.S. economy affects, and is affected by economic forces beyond its borders, in terms of:

**OBJECTIVES**

12.18.3 Students will understand the changing role of international political orders and territorial sovereignty in a global economy.

**TEACHER STRATEGY**

See Attached Lesson Plan

Vocabulary and concept development - Students will understand the following:

1. Cheap foreign wages
1. Infant industry
2. Terms of trade
3. Antidumping
4. National defense
5. Regional economic integration
6. NAFTA
7. European Economic Community

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STUDENT TASK**

See Attached Lesson Plan

**ASSESSMENT**

See Attached Lesson Plan

Have the students choose the topic that interested them most and assign them to research and write a one-page paper stating a position on the topic they have chosen. Have them do a brief presentation to the class.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STANDARD**

12.18 Students analyze issues of international trade and explain how the U.S. economy affects, and is affected by economic forces beyond its borders, in terms of:

**OBJECTIVES**

12.18.4 Students will explain how an increase or decrease in the availability of currency may cause a decline or rise in that currency's foreign exchange value.

**TEACHER STRATEGY**

Vocabulary and concept development

1. Identify and understand the concept of exchange rates.
  2. Identify and understand the functions of money.
  3. Identify and understand foreign exchange market.
  4. Explain how foreign exchange values are influenced by supply and demand.
- Give each student a copy of Handout 22-1, and announce, "Today we will look at money and the process by which it is exchanged and valued by two or more countries." Have the students read Handout 22-1.
  - Announce that you are setting up a foreign currency market in order to play "The Foreign Currency and Exchange Game." As you show the students the dollar replicas, tell them you will sell one mint for one American dollar.
  - Tell the students they will act as citizens of Spain. Distribute four or five Spanish peseta notes to all students. Give them the different amounts in random fashion.
  - Announce that the only way they can buy mints is with one of the American dollars you hold. Also announce that you can sell only five mints during one session of the currency market. Students will therefore be required to trade their pesetas for your dollars before they can buy any of the five candles.
  - Appoint a student to be a banker. You will pay the banker one mint for the work done during each round. Give the banker the rest of the pesetas and five dollars. Set up the bank at the front of the room.
  - Appoint another student to be tally keeper. You will also pay this student one mint per round. Copy the first two columns of the tally table on

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
**ECONOMICS GRADE TWELVE**

page 166 on the chalkboard. (In order that students not know in advance how many rounds will be played, do not add the columns for rounds 2 and 3 until you are ready to begin those rounds. Leave room at the top of the table to write in larger amounts of pesetas.) The tally keeper will make a mark in the appropriate space for each price at which you sell an American dollar in each round.

Review

Ask the following questions to review the activity:

- How many total pesetas were paid for the five American dollars in Round 1? In Round 2? In Round 3? In other words, what were the prices of five dollars in terms of pesetas?
- How wide were the price variations of pesetas per dollar in each round?
- Did the successive rounds establish a price pattern?
- What determined the exchange rate of pesetas and dollars for each other? (You should steer students toward a supply and demand explanation if it does not occur naturally.)
- How does the pattern of exchange rates illustrate the concept of supply and demand? (The exchange rate for dollars in terms of pesetas rose when the increased supply of pesetas brought a higher peseta price for each dollar demanded.)
- In general how is the foreign exchange value of a currency set in terms of other currencies? (By supply and demand.)
- What happens when there is a decrease in costs and prices that benefit foreign customers? (They will be more willing to buy the producer country's currency since more goods can be bought with a given amount of that currency. This will increase the demand for the producer country's currency and cause the price of that currency to increase.)

**EAST SIDE UNION HIGH SCHOOL DISTRICT**  
**HISTORY - SOCIAL SCIENCE STANDARDS**  
ECONOMICS GRADE TWELVE

**STUDENT TASK**

**Round 1:** Announce that the bidding for American dollars will begin. The only acceptable payment is Spanish pesetas. To simplify the chart, the minimum price will be 50 pesetas. Let students bid. Decide at what prices you will sell the dollars. At first, you will get low bids. Accept a few. Then the bids should start to increase. As each bid is accepted, the bidder should go to the bank and exchange the Spanish money for an American dollar. The tally keeper should make a mark on the chart. Continue until the banker announces that you have sold the five American dollars available for this round. Stop the bidding. Allow the owners of American dollars to come to you and exchange the dollars for the candy.

**Round 2:** Increase the supply of Spanish pesetas by distributing another four or five peseta notes to each student. Announce the beginning of Round 2. Have available another set of five American dollars and five mints. The banker and the tally keeper will perform the same jobs as in the previous round. Repeat the bidding process. When the five American dollars are sold, stop the bidding and allow the owners of the dollars to get their candy.

**Round 3:** Announce that the mint producers' cost have decreased, because (cite one or more of the following causes) productivity in their factories has risen; the cost of raw materials has decreased a great deal; strong competitors have entered the business, whose costs are not as high. Since the costs of making mints have declined a great deal, you will be able to provide two mints for each American dollar. Do not distribute any additional pesetas before this round. Complete Round 3. Have the banker and tally keeper continue their duties. Distribute mints as before.

**ASSESSMENT**

**EVALUATION:** Distribute a copy of handout 22-2 to each student. After the students complete the handout, assess their answers.

**ANSWERS FOR HANDOUT 22-2:**

1. Medium of exchange, store of value, measure of value.
2. Supply and demand.
3. Depreciates. Appreciates.
4. Foreign exchange markets.
5. It would increase.
6. It would decrease.

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Master Curriculum Guide in Economics

“Teaching Strategies”