

Houghton Mifflin Harcourt
***Economics: Concepts and Choices* © 2011**

correlated to

**Indiana Academic Standards for Social Studies (May 2014),
Economics**

| Standards | | Page References |
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| Standard 1 | Scarcity and Economic Reasoning <i>Students understand that productive resources are limited; therefore, people, institutions, and governments cannot have all the goods and services they want. As a result, people, institutions, and governments must choose some things and give up others.</i> | |
| E.1.1 | Define and identify each of the productive resources (natural, human, capital) and explain why each is necessary for the production of goods and services. | SE/TE: 7, 8–9, 11, 38, 52, 53, 78, 83, 261, 264, 370–371, 416, 432, 552–553 |
| E.1.2 | Explain that entrepreneurs combine productive resources to produce goods and services with the goal of making a profit. | SE/TE: 9, 49, 54–55, 70–71, 73, 78, 92–93, 230 |
| E.1.3 | Identify incentives and explain how they influence decisions. | SE/TE: 12–13, 174–178, 179, 417 |
| E.1.4 | Explain that voluntary exchange occurs when households, businesses, and governments expect to gain. | SE/TE: 49, 66, 509, 510–511, 512, 513–514, 515 |
| E.1.5 | Define scarcity and explain how choices incur opportunity costs and tradeoffs. | SE/TE: 3, 4–9, 11, 12–17, 21, 34, 35, 38 |
| E.1.6 | Use a production possibilities curve to explain the concepts of choice, scarcity, opportunity cost, tradeoffs, unemployment, productivity, and | SE/TE: 18–22, 23; also see: 3, 4–9, 12–17, 372–373, 382–386 |

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| | growth. | |
| E.1.7 | Describe and compare the various economic systems (traditional, market, command, mixed); explain their strengths and weaknesses. | SE/TE: 38–40, 41, 42–46, 47, 48–55, 56, 57, 58–62, 63, 64–65, 68–69, 70–77, 78–83, 84–91, 92–93 |
| E.1.8 | Describe how clearly defined and enforced property rights are essential to a market economy. | SE/TE: 48–49 |
| E.1.9 | Diagram and explain the circular flow model of a market economy. | SE/TE: 52–53, 57, 80–81 |
| Standard 2 | Supply and Demand <i>Students understand the role that supply and demand, prices, and profits play in determining production and distribution in a market economy.</i> | |
| E.2.1 | Define supply and demand and explain the causes of the Law of Supply and the Law of Demand. | SE/TE: 98–105, 106–115, 116–123, 124–127, 130–137, 138–145, 146–153, 154–157, 158–161 |
| E.2.2 | Recognize that consumers ultimately determine what is produced in a market economy. | SE/TE: 50–51, 79, 80, 82, 111–112, 113, 115 |
| E.2.3 | Illustrate how supply and demand determine equilibrium price and quantity. | SE/TE: 164–166, 171, 172, 173, 186–187, 188–189 |
| E.2.4 | Identify factors that cause changes in market supply and demand and how these changes affect price and quantity in a competitive market. | SE/TE: 164–166, 167–168, 169–171, 173 |
| E.2.5 | Describe how elasticity (price) sends signals to buyers and sellers. | SE/TE: 116–122, 123, 154–157; also see: 174–177, 178, 179, 180–184, 185, 186–187, 188–189 |
| E.2.6 | Demonstrate how government wage and price controls, such as rent controls and minimum wage laws, create shortages and surpluses. | SE/TE: 180, 181, 182, 262–263, 500–501, 503, 506–507 |
| E.2.7 | Describe how the earnings of workers are determined by the market value of the product produced and workers’ productivity, as well as other factors. | SE/TE: 182, 258–262, 264, 265, 284, 285 |
| E.2.8 | Illustrate how physical and human capital investment raise productivity and future standards | SE/TE: 149, 151, 261, 264, 371, 372–373, 552–553 |

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| | of living. | |
| Standard 3 | Market Structures <i>Students understand the role of business firms and analyze the various types of market structures in the United States economy.</i> | |
| E.3.1 | Identify the ways that firms raise financial capital and explain the advantages and disadvantages of each. | SE/TE: 227; also see: 9, 49, 54–55, 70–71, 73, 78, 92–93, 230 |
| E.3.2 | Demonstrate how firms determine optimum levels of output by comparing marginal cost and marginal revenue. | SE/TE: 142–143, 145, 160–161, R18; also see: 138–139, 140–141 |
| E.3.3 | Compare and contrast the basic characteristics of the four market structures: monopoly, oligopoly, monopolistic competition, and pure competition; explain how various amounts of competition affect price and quantity. | SE/TE: 190–191, 192–197, 198–205, 206–213, 214–218, 219, 220–221, 222–223 |
| E.3.4 | Recognize the benefits of natural monopolies (economies of scale) and explain the purposes of government regulation of these monopolies. | SE/TE: 198–204, 205, 214–218, 219, 222, 223 |
| Standard 4 | The Role of Government <i>Students understand that typical microeconomic roles of government in a market or mixed economy are the provision of public goods and services, redistribution of income, protection of property rights, and resolution of market failures.</i> | |
| E.4.1 | Explain the roles of government in a market economy. | SE/TE: 80–83, 84–91, 149–150, 153, 199, 214–218, 219, 222–223, 300, 306–307, 311, 314–315, 339, 408–409, 410–419, 420–427, 428–433, 434–439, 440–443, 444–445, 446–452, 453, 454–460, 461, 462–466, 467, 468–469, 470–471, 472–507, 508 |
| E.4.2 | Explain how markets underproduce public goods and explain why the government has an interest in producing these public goods. | SE/TE: 84–85, 91, 94, 95, 463 |
| E.4.3 | Describe how the government taxes negative externalities (spillovers) and subsidizes positive externalities (spillovers) to resolve the inefficiencies they cause. | SE/TE: 87–88, 91, 94, 95 |

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| E.4.4 | Describe major revenue and expenditure categories and their respective proportions of state and federal budgets. | SE/TE: 428–432, 433, 434–438, 439, 442, 443, 462–467, 468–469 |
| E.4.5 | Define progressive, proportional, and regressive taxation and determine whether different types of taxes (including income, sales, and Social Security) are progressive, proportional, or regressive. | SE/TE: 412, 413, 414, 419, 442, 443; also see: 410–411 |
| E.4.6 | Explain how costs of government policies may exceed benefits because social or political goals (rather than economic efficiency) are being pursued. | SE/TE: 462–464, 465–466, 468–469; also see: 431, 436, 439, A14, A15 |
| E.4.7 | Define the national debt, explain the effects of the debt on the economy, and explain how to achieve a balanced budget. | SE/TE: 462–466, 467, 468–469, 470, 471; also see: 431, 436, 439, A14, A15 |
| Standard 5 | National Economic Performance <i>Students understand the means by which economic performance is measured and the causes and effects of business cycles in a market economy.</i> | |
| E.5.1 | Explain measures of a country's economic performance such as gross domestic product (GDP), unemployment, and inflation. | SE/TE: 350–355, 356, 357, 465, A11, A12, A14, A15; also see: 65, 90, 365–366, 382–386, 387, 393, 396–402, 403, 404–405, 406–407 |
| E.5.2 | Recognize that a country's overall level of income, employment, and prices is determined by rational spending and production decisions of households, firms, and government. | SE/TE: 351–352, 354, 355, 356, 357 |
| E.5.3 | Explain the limitations of using GDP to measure economic welfare. | SE/TE: 354, 357 |
| E.5.4 | Identify the different causes of inflation (including cost-push and demand-pull) and explain the impact of inflation on economic decisions. | SE/TE: 396–402, 403, 404–405, 406–407 |
| E.5.5 | Explain and illustrate the impact of changes in aggregate supply and aggregate demand. | SE/TE: 360–361, 403, 446, 448–450, 452, 454–457 |
| E.5.6 | Explain the causes and effects of business cycles | SE/TE: 358–367, 378–379 |

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| | in a market economy. | |
| E.5.7 | Explain the different types of unemployment. | SE/TE: 90, 365–366, 382–386, 387, 393, 406–407 |
| E.5.8 | Describe the impact of unemployment and unexpected inflation on an economy and how individuals and organizations try to protect themselves. | SE/TE: 90, 365–366, 382–386, 387, 393, 396–402, 403, 404–405, 406–407 |
| Standard 6 | Money and the Role of Financial Institutions <i>Students understand the role of money and financial institutions in a market economy.</i> | |
| E.6.1 | Explain the basic functions of money. | SE/TE: 286–287, 288–294, 295, 314–315, 475, 482–483, 484–487 |
| E.6.2 | Identify the composition of the money supply of the United States. | SE/TE: 290, 291, 292, 293, 294, 295 |
| E.6.3 | Explain the roles of financial institutions. | SE/TE: 296–302, 303, 304–310, 311, 314, 315, 320–321, 346, 347 |
| E.6.4 | Demonstrate how banks create money through the principle of fractional reserve banking. | SE/TE: Opportunities to address this standard may be found on the following pages: 296–302, 303, 304–310, 311 |
| E.6.5 | Describe the structure and functions of the Federal Reserve System. | SE/TE: 472–473, 474–478, 479, 480–487, 488, 489, 490–496, 497, 498–505, 506, 507 |
| E.6.6 | Explain how interest rates act as an incentive for savers and borrowers. | SE/TE: 318–319, 320–321, 323, 338–339, 578–579, 581 |
| E.6.7 | Compare and contrast different types of financial investments. | SE/TE: 318–319, 320–321, 324–328, 329, 330–336, 337, 338–341, 342, 343, 346, 347, 578–579, 581 |
| E.6.8 | Demonstrate how supply and demand determine equilibrium price and quantity in the financial markets. | SE/TE: 164–173, 186–187, 188–189 |
| Standard 7 | Economic Stabilization <i>Students understand the macroeconomic role of the government in developing and implementing economic stabilization policies and how these policies impact the macroeconomy.</i> | |
| E.7.1 | Define and explain fiscal and monetary policy. | SE/TE: 445, 446–452, 453, 454–460, 461, 462–466, 467, 468–469, 470, 471, 473, 474–475, 490–496, 497, 498–502, 503, 504–505, 506, 507 |

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| E.7.2 | Explain the tools of fiscal and monetary policy. | SE/TE: 480–488, 489, 490–496, 498–503, 504–505, 506, 507 |
| E.7.3 | Analyze how the government uses fiscal policy to promote price stability, full employment, and economic growth. | SE/TE: 445, 446, 448, 453, 457, 458, 459–460, 498–502, 503, 504–505, 506, 507 |
| E.7.4 | Explain how the use of fiscal policy affects budget deficits or surpluses and the national debt. | SE/TE: 444–445, 446–452, 453, 454–460, 461, 462–466, 467, 468–469, 470–471, 498–502, 503, 506, 507 |
| E.7.5 | Analyze how the Federal Reserve uses monetary policy to promote price stability, full employment, and economic growth. | SE/TE: 480–488, 489, 490–496, 498–503, 504–505, 506, 507 |
| E.7.6 | Compare and contrast the major macroeconomic theories. | SE/TE: 27–28, 361 |
| Standard 8 | <p>Trade <i>Students understand why households, businesses, and governments trade goods and services and how trade affects the economies of the world.</i></p> | |
| E.8.1 | Explain that most trade occurs because producers have a comparative advantage (rather than an absolute advantage) in the production of a good or service. | SE/TE: 512–514, 519 |
| E.8.2 | Explain the benefits of trade among households and countries. | SE/TE: 510–511, 512, 513–514, 515, 519, 529–531, 540, 541; also see: 50–51 |
| E.8.3 | Explain the difference between balance of trade and balance of payments. | SE/TE: 529–530, 531, 540 |
| E.8.4 | Define and explain the impact of trade barriers, such as quotas and tariffs, and analyze why countries erect them. | SE/TE: 520–525, 538–539, 540–541 |
| E.8.5 | Evaluate the arguments for and against free trade. | SE/TE: 533–534, 537, 538–539, 540; also see: 510–519, 526–531 |
| E.8.6 | Explain how changes in exchange rates affects the value of imports and exports. | SE/TE: 526–528, 531, 540, 541 |