

0. Introduction: Why Study Economics?

I. Living in a Global Economy

- a. Economics and finance in our lives
 - i. People have personal financial goals
 - ii. National economic goals' impact on individuals
- b. Individuals have multiple roles in the global economy: consumer, saver, investor, producer, earner, borrower, lender, taxpayer, and recipient of government services
- c. The conflict between unlimited wants but limited resources forces both individuals and societies to make economic decisions
 - i. What to produce
 - ii. How to produce
 - iii. Who will receive what is produced
- d. Productive resources help to determine our wealth and our nation's wealth
 - i. Land
 - ii. Labor
 - iii. Capital
 - iv. Management
- e. TERMS
 - i. Scarcity
 - ii. Trade-offs
 - iii. Choices
 - iv. Opportunity costs
 - v. Limited resources
 - vi. Unlimited wants
 - vii. Growth
 - viii. Stability
 - ix. Economic fairness
 - x. Productivity
 - xi. Consumption

II. The United States Economic System

- a. Characteristics, pillars, and goals of the United States economy (a mixed capitalist economy)—profit motive, private property, competition, price system
 - i. Circular flow of the economy
 - ii. Price system (i.e., all factors that work together to determine price) and the theory of supply and demand
 - iii. Competition in a market economy
- b. Challenges for the United States and other market-based systems
 - i. Unemployment
 - ii. Income and wealth gaps
 - iii. Other challenges: environmental pollution, economic instability, and discrimination
- c. TERMS
 - i. Capitalism
 - ii. Property rights
 - iii. Consumer sovereignty
 - iv. Producers' sovereignty
 - v. Incentives
 - vi. Factors of production
 - vii. Invisible hand
 - viii. Elasticity
 - ix. Productivity

III. The Enterprise System and the United States Economy

- a. Features of the enterprise system
 - i. Freedom of enterprise
 - ii. Private property
 - iii. Profit motive
 - iv. Consumer sovereignty
 - v. Competition
 - vi. Rule of law
 - vii. Antitrust legislation
 - viii. Investment through research, innovation, and technology
- b. Types of business organizations

- i. Sole proprietorship
 - ii. Partnership
 - iii. Corporation (profit and not-for-profit)
 - iv. Franchises
 - v. Influences of cartels, monopolies, oligopolies
- c. Role of the entrepreneur
 - i. Examples of entrepreneurs today
 - ii. Impact of entrepreneurs on the economy
 - iii. Impact of entrepreneurs on community development
- d. Starting and operating a business
 - i. Recognizing opportunities
 - ii. Setting goals
 - iii. Developing a business plan
 - iv. Product development, purchasing, and inventory management, record keeping, and distribution
 - v. Production and delivery of goods and services
 - vi. Marketing
 - vii. Financing
 - viii. Assessing progress
- e. The interactions between large and small businesses
 - i. Antitrust cases
 - ii. Implications for consumers
 - iii. Implications for business
- f. Effects of globalization on business
 - i. Multinational corporations
 - ii. Small businesses and their connections to world trade
- g. Moral, ethical, and legal issues
 - i. Business ethics
 - ii. Regulations for doing business
 - iii. “Corporate citizenship”
- h. TERMS
 - i. Capital
 - ii. Investment

- iii. Absolute advantage
- iv. Incentives
- v. Cost
- vi. Markets
- vii. Risk
- viii. Cash flow
- ix. Antitrust
- x. Profits
- xi. Licenses

IV. Labor and Business in the United States

- a. Roles and responsibilities of workers
 - i. Evolving roles of workers in business (e.g., providing input to management, working in teams)
 - ii. Matching worker qualifications and skills with business needs
- b. Composition of the workforce
 - i. Changing roles of women, teenagers, the elderly, and minorities
 - ii. Population and demographic trends
 - iii. Experience, location, and skill needs
 - iv. Affirmative action issues
 - v. Changing skill mix and skill requirements
 - vi. Costs and benefits of hiring immigrants
- c. Compensation and rewards
 - i. Factors leading to job satisfaction versus factors resulting in dissatisfaction
 - ii. Salary versus wages versus ownership
 - iii. Fringe benefits
 - iv. Employer-of-choice issues (e.g., benefits, working conditions, incentives, flex time, corporate values)
- d. Labor-management relations
 - i. History of labor-management relations
 - ii. Labor unions and their changing roles over time; collective bargaining

- iii. Labor laws
- iv. Programs promoting improved labor-management relations
- v. Unemployment, including structural unemployment
- vi. International labor issues—child labor, worker exploitation, and sweatshops
- vii. Open borders, migrant workers, and competition from new immigrants

e. TERMS

- i. Labor markets
- ii. Full employment
- iii. Comparable worth
- iv. Productivity

V. Money, Finance, and Personal Finance

a. Money

- i. Definition of *money*
- ii. Characteristics and functions of money
- iii. Money and the future: a cashless society?

b. Introduction to finance and personal finance

- i. Definition of *finance*
- ii. Personal financial goals and strategies
- iii. The role of finance in business and government

c. Instruments, institutions, financial markets, and investors

i. Instruments

1. Equity (stocks)
2. Debt (public and private)

ii. Markets

1. Roles markets play in directing funds from savers to investors
2. Effects markets have on individuals and the economy
3. Types of markets: equity, debt, stock, bond, and commodity (e.g., New York Stock Exchange, NASDAQ, bond, commodities, currencies)

- 4. Effects of current events on domestic and global markets
 - 5. Risk
 - iii. Banks: their role in the financial system and importance to consumers
 - 1. Kinds of banks and other deposit-taking institutions; savings accounts, checking accounts, and loans
 - a. Commercial and savings—serving consumers and businesses; issues related to minorities and minority-owned businesses
 - b. Investment banks—raising capital
 - 2. Banks and businesses
 - 3. Banks and the consumer
 - 4. Banks as financial intermediaries
 - iv. Insurance
 - 1. Purpose of insurance
 - 2. Kinds of insurance
 - 3. Shopping for insurance
 - v. Regulating the financial services industry
 - 1. Securities and Exchange Commission
 - 2. Federal Reserve
 - 3. Office of the Comptroller of the Currency
 - 4. State Banking and Insurance Commissions
 - 5. F.D.I.C.
- d. Interest and the cost of money
 - i. Interest rates—the cost of the temporary use of somebody else's money
 - ii. Measuring interest rates—APRs
 - iii. Short- and long-term rates—the “yield curve”
 - iv. Effects of raising and lowering rates
 - v. Compounding and the rule of 72
 - vi. Interest rate spread
- e. Credit

- i. Forms of credit (loans, credit cards, commercial paper, Treasury notes, bills and bonds)
 - ii. Benefits and costs of credit
 - iii. Credit and the consumer—personal credit reports and ratings, abuses of credit, abuses of creditors (e.g., predatory lending)
 - iv. Short-term versus long-term credit
 - v. Problems with credit and unsecured credit
- f. Managing your money
 - i. Strategies to achieve long-term goals
 - ii. Budgeting
 - iii. Personal savings and investing
 - 1. Personal considerations (e.g., risk tolerance, values, age, family situation)
 - 2. Return on investment
 - 3. Managing risk through diversification
 - 4. Liquidity
 - iv. Influence of advertising
 - v. Tax sheltering
- g. Careers in financial services industry
- h. TERMS
 - i. Managing risk
 - ii. Hedging
 - iii. Thrifts
 - iv. Prime rate
 - v. Net asset value

VI. Making Fiscal and Monetary Policy

- a. Macroeconomics and challenges facing policy makers
 - i. The business cycle: causes and effects of fluctuations in the business cycle
 - ii. Unemployment
 - 1. Causes: structural, seasonal, and cyclical unemployment
 - 2. Effects of unemployment
 - iii. Inflation

1. Causes
 2. Effects on economy, financial system, and specific economic groups
 3. Measuring inflation (CPI)
 4. Combating inflation
- b. Economic growth
- i. Determinants of growth
 - ii. Measure of growth (GDP)
 - iii. Limits of growth (the speed limits of growth)
 - iv. Effects of globalization on the United States GDP
 - v. Importance of productivity and the role of technology
 - vi. Factors that explain why some countries grow faster than others
- c. Fiscal policy
- i. The role of the President and Congress
 - ii. Setting spending priorities (e.g., national defense, social services, rebuilding the nation's infrastructure, and education)
 - iii. The federal budget process
 - iv. Tax policy
 1. Purposes of taxes: to generate revenue and/or manage the economy and promote social goals
 2. Tax fairness: progressive, regressive, and proportional
 3. Kinds of taxes: federal, state, local, including the real property tax
 - v. Understanding the income tax
 - vi. Understanding the social security tax
 - vii. Understanding the real property tax
 1. Government services provided
 2. Taxing jurisdictions
 3. Tax levy, tax rate, and tax bills (e.g., school, city, county, town)
 4. Assessments: collection of data and computation
 5. Taxpayer challenges

- d. Monetary policy and the Federal Reserve
 - i. Definition of *monetary policy*
 - ii. Goals of monetary policy
 - iii. Conditions leading to the creation of the Federal Reserve
 - iv. Federal Reserve's structure, functions, and goals (maintaining price stability and sustainable growth)
 - v. The role of the Fed in making and implementing monetary policy
 - vi. Effects of changing interest rates
 - vii. Fighting inflation and recession
- e. TERMS
 - i. Non-accelerating inflation rate of unemployment (NAIRU)
 - ii. Phillips Curve
 - iii. Easy money
 - iv. Tight money
 - v. Federal funds rate

VII. Impact of Globalization on the Economies of Other Nations

- a. Definition of *globalization*
 - i. Historical development of the global economy
 - ii. The impacts of trade flows, capital movements, direct foreign investment, tourism, and foreign trade
 - iii. Positive and negative effects of globalization on developing and industrialized nations
- b. Trade—effects of globalization on the enterprise system
 - i. Why do nations trade?
 - ii. Importance of trade
 - iii. Measuring of trade
 - iv. Trade policy issues
 - v. Global (WTO) and regional trading blocs (EMU, NAFTA, ASEAN, and MERCOSUR—Common Market of the South)
- c. Foreign exchange
 - i. What are exchange rates?
 - ii. Reasons for exchange rate fluctuations

- d. Foreign investment
 - i. Portfolio capital flows
 - ii. Direct foreign investment
- e. Global economic and financial issues and crises
 - i. Debt of developing nations
 - ii. Environmental issues and concerns
 - iii. Global financial crises (e.g., Asia 1997, Russia 1998)
 - iv. Economic implications of national and international crises (e.g., World Trade Center, 2001)
- f. TERMS
 - i. Economic development
 - ii. Strong dollar versus weak dollar
 - iii. Comparative advantage
 - iv. G7 nations