**KEY *FORCES* IN AMERICAN HISTORY**

2. Economic freedom, rule of law, and well-defined property rights promote growth and prosperity.

4. Wars harm economies and people.

7. Government is the arena of competition among interest groups.

**ECONOMIC CONCETS that support the historical analysis:**

Opportunity Cost
Comparative Advantage

Absolute Advantage

Factor Endowments

Tariffs

Quotas

Protectionism

Embargo

Mercantilism

Infant-industry argument

Globalization

**CONTENT STANDARDS**

**History Standards** (from National Standards for History by the National Center for History in the Schools)

**Era 4 – 1:** The student understands United States territorial expansion between 1801 and 1861, and how it affected relations with external powers and Native Americans

**Era 6 – 1:** The student understands how the rise of corporations, heavy industry, and mechanized farming transformed the American people

**Era 6 – 2:** The student understands how massive immigration after 1870 and how new social patterns, conflicts, and ideas of national unity developed amid growing cultural diversity

**Era 7 – 2:** The student understands the changing role of the United States in world affairs through World War

**Era 8 – 3:** The student understands the causes and course of World War II, the character of the war at home and abroad, and its reshaping of the U.S. role in world affairs.

**Era 9 – 1:** The student understands the economic boom and social transformation of postwar United States

**Era 10 – 1:** The student understands recent developments in foreign and domestic politics

**Era 10 – 2:** The student understands economic, social, and cultural developments in contemporary United States

**Economics Standards** (from Voluntary National Content Standards in Economics)

**Standard 5:** Voluntary exchange occurs only when all participating parties expect to gain. This is true for trade among individuals or organizations within a nation, and among individuals or organizations in different nations.

**Standard 6:** When individuals, regions, and nations specialize in what they can produce at the lowest cost and then trade with others, both production and consumption increase.

**Standard 8:** Prices send signals and provide incentives to buyers and sellers. When supply or demand changes, market prices adjust, affecting incentives.

**Standard 9:** Competition among sellers lowers costs and prices, and encourages producers to produce more of what consumers are willing and able to buy. Competition among buyers increases prices and allocates goods and services to those people who are willing and able to pay the most for them.

**KEY IDEAS**

* International trade has enriched the American economy from the beginning and has had a profound impact on the mix of goods produced in the U.S.
* Trade based on comparative advantage – producing the goods one can make at a lower opportunity cost – materially benefits *both* trading partners.
* The comparative advantage of producers in the U.S. has shifted significantly over time from agricultural products (like tobacco and cotton) to capital- and resource-intensive goods (like petroleum, steel and metal products, and machinery) to high-technology goods and those based on an educated, skilled work force. Shifts in comparative advantage create winners and losers and can generate substantial political reactions.
* Tariffs (taxes on imports) provided the majority of federal government revenue until the end of the nineteenth century.
* Tariffs and other trade restrictions have had a substantial impact on the distribution of income within the U.S. – boosting the incomes of producers of protected goods (both employers and workers), while reducing the incomes of consumers of protected goods. The conflicting interests of these groups have been sharply contested in the political arena.
* Over the centuries the volume of international trade has substantially expanded, largely driven by declining transportation and transactions costs – although restrictions on trade and international tensions have, at times, dampened the trend.
* Because disruptions of trade in time of war, economic war (such as embargoes) and “trade wars” have substantially reduced national income, the U.S. has taken the lead (with occasional backsliding) in reducing trade barriers since World War II.
* Trade gaps are generally caused by imbalances between domestic savings and investment, rather than the inability to compete internationally.