

ECONOMICS

Economics examines the allocation of resources and their uses for satisfying human needs and wants. The course analyzes the economic reasoning and behaviors of consumers, producers, savers, investors, workers, voters, institutions, governments, and societies in making decisions. Students explain that because resources are limited, people must make choices and understand the role that supply, demand, prices, and profits play in a market economy. Key elements of the course include study of scarcity and economic reasoning, supply and demand, market structures, the role of government, national economic performance, the role of financial institutions, economic stabilization, and trade.

At the high school level, Indiana's academic standards for social studies provide standards for specific courses that focus on one of the five content areas that make up the core of the social studies curriculum: history; government; geography; economics; and individuals, society and culture (psychology, sociology, and anthropology). One of these content areas is the major focus of the course while the other areas play supporting roles or become completely integrated into the course content. Each high school course continues to develop skills for thinking, inquiry and research, and participation in a democratic society.

- DOE Code: 1514
- *Recommended Grade Level: Grades 11 or 12*
- *Recommended Prerequisites: None*
- *Credits: 1 semester course, 1 credit*
- *Fulfills the Economics requirement for the Core 40, Core 40 with Academic Honors, Core 40 with Technical Honors and International Baccalaureate diplomas, a Social Studies requirement for the General Diploma, or counts as an Elective for any diploma*
- Qualifies as a Quantitative Reasoning course for the General diploma only

CONTENT STANDARDS

Standard 1 — Scarcity and Economic Reasoning

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.

Standard 2 — Supply and Demand

Students understand the role that supply and demand, prices, and profits play in determining production and distribution in a market economy.

Standard 3 — Market Structures

Students understand the role of business firms and analyze the various types of market structures in the United States economy.

Standard 4 — The Role of Government

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.

Standard 5 — National Economic Performance

Students understand the means by which economic performance is measured and the causes and effects of business cycles in a market economy.

Standard 6 — Money and the Role of Financial Institutions

Students understand the role of money and financial institutions in a market economy.

Standard 7 — Economic Stabilization

Students understand the macroeconomic role of the government in developing and implementing economic stabilization policies and how these policies impact the macroeconomy.

Standard 8 — Trade

Students understand why households, businesses, and governments trade goods and services and how trade affects the economies of the world.

Standard 1: Scarcity and Economic Reasoning

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.

- 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.
- E.1.2 Explain that entrepreneurs combine productive resources to produce goods and services with the goal of making a profit.
- E.1.3 Identify incentives and explain how they influence decisions.
- E.1.4 Explain that voluntary exchange occurs when households, businesses, and governments expect to gain.
- E.1.5 Define scarcity and explain how choices incur opportunity costs and tradeoffs.
- E.1.6 Use a production possibilities curve to explain the concepts of choice, scarcity, opportunity cost, tradeoffs, unemployment, productivity, and growth.
- E.1.7 Describe and compare the various economic systems (traditional, market, command, mixed); explain their strengths and weaknesses.
- E.1.8 Describe how clearly defined and enforced property rights are essential to a market economy.
- E.1.9 Diagram and explain the circular flow model of a market economy.

Standard 2: Supply and Demand

Students understand the role that supply and demand, prices, and profits play in determining production and distribution in a market economy.

- E.2.1 Define supply and demand and explain the causes of the Law of Supply and the Law of Demand.
- E.2.2 Recognize that consumers ultimately determine what is produced in a market economy.
- E.2.3 Illustrate how supply and demand determine equilibrium price and quantity.
- 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.
- E.2.5 Describe how elasticity (price) sends signals to buyers and sellers.
- E.2.6 Demonstrate how government wage and price controls, such as rent controls and minimum wage laws, create shortages and surpluses.
- 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.
- E.2.8 Illustrate how physical and human capital investment raise productivity and future standards of living.

Standard 3: Market Structures

Students understand the role of business firms and analyze the various types of market structures in the United States economy.

- E.3.1 Identify the ways that firms raise financial capital and explain the advantages and disadvantages of each.
- E.3.2 Demonstrate how firms determine optimum levels of output by comparing marginal cost and marginal revenue.
- 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.
- E.3.4 Recognize the benefits of natural monopolies (economies of scale) and explain the purposes of government regulation of these monopolies.

Standard 4 : The Role of Government

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.

- E.4.1 Explain the roles of government in a market economy.
- E.4.2 Explain how markets underproduce public goods and explain why the government has an interest in producing these public goods.
- E.4.3 Describe how the government taxes negative externalities (spillovers) and subsidizes positive externalities (spillovers) to resolve the inefficiencies they cause.
- E.4.4 Describe major revenue and expenditure categories and their respective proportions of state and federal budgets.
- 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.
- E.4.6 Explain how costs of government policies may exceed benefits because social or political goals (rather than economic efficiency) are being pursued.
- E.4.7 Define the national debt, explain the effects of the debt on the economy, and explain how to achieve a balanced budget.

Standard 5: National Economic Performance

Students understand the means by which economic performance is measured and the causes and effects of business cycles in a market economy.

- E.5.1 Explain measures of a country's economic performance such as gross domestic product (GDP), unemployment, and inflation.
- 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.
- E.5.3 Explain the limitations of using GDP to measure economic welfare.
- E.5.4 Identify the different causes of inflation (including cost-push and demand-pull) and explain the impact of inflation on economic decisions.
- E.5.5 Explain and illustrate the impact of changes in aggregate supply and aggregate demand.
- E.5.6 Explain the causes and effects of business cycles in a market economy.
- E.5.7 Explain the different types of unemployment.
- E.5.8 Describe the impact of unemployment and unexpected inflation on an economy and how individuals and organizations try to protect themselves.

Standard 6: Money and the Role of Financial Institutions

Students understand the role of money and financial institutions in a market economy.

- E.6.1 Explain the basic functions of money.
- E.6.2 Identify the composition of the money supply of the United States.
- E.6.3 Explain the roles of financial institutions.
- E.6.4 Demonstrate how banks create money through the principle of fractional reserve banking.
- E.6.5 Describe the structure and functions of the Federal Reserve System.
- E.6.6 Explain how interest rates act as an incentive for savers and borrowers.
- E.6.7 Compare and contrast different types of financial investments.
- E.6.8 Demonstrate how supply and demand determine equilibrium price and quantity in the financial markets.

Standard 7: Economic Stabilization

Students understand the macroeconomic role of the government in developing and implementing economic stabilization policies and how these policies impact the macroeconomy.

- E.7.1 Define and explain fiscal and monetary policy.
- E.7.2 Explain the tools of fiscal and monetary policy.
- E.7.3 Analyze how the government uses fiscal policy to promote price stability, full employment, and economic growth.
- E.7.4 Explain how the use of fiscal policy affects budget deficits or surpluses and the national debt.
- E.7.5 Analyze how the Federal Reserve uses monetary policy to promote price stability, full employment, and economic growth.
- E.7.6 Compare and contrast the major macroeconomic theories.

Standard 8: Trade

Students understand why households, businesses, and governments trade goods and services and how trade affects the economies of the world.

- 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.
- E.8.2 Explain the benefits of trade among households and countries.
- E.8.3 Explain the difference between balance of trade and balance of payments.
- E.8.4 Define and explain the impact of trade barriers, such as quotas and tariffs, and analyze why countries erect them.
- E.8.5 Evaluate the arguments for and against free trade.
- E.8.6 Explain how changes in exchange rates affects the value of imports and exports.