

Economics

Adopted 2016

Fundamentals

SSEF1. Explain why limited productive resources and unlimited wants result in scarcity, opportunity costs, and tradeoffs for individuals, businesses, and governments. SSEF1

- a. Define scarcity as a basic condition that exists when unlimited wants exceed limited productive resources. SSEF1.A
- b. Define and give examples of productive resources (i.e. factors of production): natural resources (i.e. land), human resources (i.e. labor and human capital), physical capital and entrepreneurship. SSEF1.B
- c. Explain the motivations that influence entrepreneurs to take risks (e.g., profit, job creation, innovation, and improving society). SSEF1.C
- d. Define opportunity cost as the next best alternative given up when individuals, businesses, and governments confront scarcity by making choices. SSEF1.D

SSEF2. Give examples of how rational decision making entails comparing the marginal benefits and the marginal costs of an action. SSEF2

- a. Define marginal cost and marginal benefit. SSEF2.A
- b. Explain that rational decisions occur when the marginal benefits of an action equal or exceed the marginal costs. SSEF2.B
- c. Explain that people, businesses, and governments respond to positive and negative incentives in predictable ways. SSEF2.C

SSEF3. Explain how specialization and voluntary exchange influence buyers and sellers. SSEF3

- a. Explain how and why individuals and businesses specialize, including division of labor. SSEF3.A
- b. Explain that both parties gain as a result of voluntary, non-fraudulent exchange. SSEF3.B

SSEF4. Compare and contrast different economic systems and explain how they answer the three basic economic questions of what to produce, how to produce, and for whom to produce. SSEF4

- a. Compare traditional, command, market, and mixed economic systems with regard to private ownership, profit motive, consumer sovereignty, competition, and government regulation. SSEF4.A
- b. Analyze how each type of system answers the three economic questions and meets the broad social and economic goals of freedom, security, equity, growth, efficiency, price stability, full employment, and sustainability. SSEF4.B
- c. Compare and contrast strategies for allocating scarce resources, such as by price, majority rule, contests, force, sharing, lottery, authority, first-come-first-served, and personal characteristics. SSEF4.C

SSEF5. Describe the roles of government in the United States economy. SSEF5

- a. Explain why government provides public goods and services, redistributes income, protects property rights, and resolves market failures. SSEF5.A
- b. Explain the effects on consumers and producers caused by government regulation and deregulation. SSEF5.B

SSEF6. Explain how productivity, economic growth, and future standards of living are influenced by investment in factories, machinery, new technology, and the health, education, and training of people. SSEF6

- a. Define productivity as the relationship of inputs to outputs. SSEF6.A
- b. Explain how investment in equipment and technology can lead to economic growth. SSEF6.B
- c. Explain how investments in human capital (e.g., education, job training, and healthcare) can lead to a higher standard of living. SSEF6.C
- d. Analyze, by means of a production possibilities curve: trade-offs, opportunity cost, growth, and efficiency. SSEF6.D

Microeconomics

SSEMI1. Describe how households and businesses are interdependent and interact through flows of goods, services, resources, and money. SSEMI1

- a. Illustrate a circular flow diagram that includes the product market, the resource (factor) market, households, and firms. SSEMI1.A
- b. Explain the real flow of goods, services, resources, and money between and among households and firms. SSEMI1.B

SSEMI2. Explain how the law of demand, the law of supply, and prices work to determine production and distribution in a market economy. SSEMI2

- a. Define the law of supply and the law of demand. SSEMI2.A
- b. Distinguish between supply and quantity supplied, and demand and quantity demanded. SSEMI2.B
- c. Describe the role of buyers and sellers in determining market clearing price (i.e. equilibrium). SSEMI2.C
- d. Illustrate on a graph how supply and demand determine equilibrium price and quantity. SSEMI2.D
- e. Identify the determinants (shifters) of supply (e.g., changes in costs of productive resources, government regulations, number of sellers, producer expectations, technology, and education) and illustrate the effects on a supply and demand graph. SSEMI2.E
- f. Identify the determinants (shifters) of demand (e.g., changes in related goods, income, consumer expectations, preferences/tastes, and number of consumers) and illustrate the effects on a supply and demand graph. SSEMI2.F
- g. Explain and illustrate on a graph how prices set too high (e.g., price floors) create surpluses, and prices set too low (e.g., price ceilings) create shortages. SSEMI2.G

SSEMI3. Explain the organization and role of business and analyze the four types of market structures in the U.S. economy. SSEMI3

- a. Compare and contrast three forms of business organization—sole proprietorship, partnership, and corporation with regards to number of owners, liability, lifespan, decision-making, and taxation. SSEMI3.A
 - b. Identify the basic characteristics of monopoly, oligopoly, monopolistic competition, and pure (perfect) competition with regards to number of sellers, barriers to entry, price control, and product differentiation. SSEMI3.B
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Macroeconomics

SSEMA1. Illustrate the means by which economic activity is measured. SSEMA1

- a. Identify and describe the macroeconomic goals of steady economic growth, stable prices, and full employment. SSEMA1.A
 - b. Define Gross Domestic Product (GDP) as the sum of Consumer Spending, Investment, Government Spending, and Net Exports (output expenditure model). SSEMA1.B
 - c. Define unemployment rate, Consumer Price Index (CPI), inflation, real GDP, aggregate supply and aggregate demand and explain how each is used to evaluate the macroeconomic goals from SSEMA1a. SSEMA1.C
 - d. Give examples of who benefits and who loses from unanticipated inflation. SSEMA1.D
 - e. Identify seasonal, structural, cyclical, and frictional unemployment. SSEMA1.E
 - f. Define the stages of the business cycle, including: peak, contraction, trough, recovery/expansion as well as recession and depression. SSEMA1.F
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SSEMA2. Explain the role and functions of the Federal Reserve System. SSEMA2

- a. Explain the roles/functions of money as a medium of exchange, store of value, and unit of account/standard of value. SSEMA2.A
 - b. Describe the organization of the Federal Reserve System (12 Districts, Federal Open Market Committee (FOMC), and Board of Governors). SSEMA2.B
 - c. Define monetary policy. SSEMA2.C
 - d. Define the tools of monetary policy including reserve requirement, discount rate, open market operations, and interest on reserves. SSEMA2.D
 - e. Describe how the Federal Reserve uses the tools of monetary policy to promote its dual mandate of price stability and full employment, and how those affect economic growth. SSEMA2.E
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SSEMA3. Explain how the government uses fiscal policy to promote price stability, full employment, and economic growth. SSEMA3

- a. Define fiscal policy. SSEMA3.A
 - b. Explain the effect on the economy of the government's taxing and spending decisions in promoting price stability, full employment, and economic growth. SSEMA3.B
 - c. Explain how government budget deficits or surpluses impact national debt. SSEMA3.C
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International

SSEIN1. Explain why individuals, businesses, and governments trade goods and services. SSEIN1

- a. Define and distinguish between absolute advantage and comparative advantage. SSEIN1.A
 - b. Explain that most trade takes place because of comparative advantage in the production of a good or service. SSEIN1.B
 - c. Define balance of trade, trade surplus, and trade deficit. SSEIN1.C
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SSEIN2. Explain why countries sometimes erect trade barriers and sometimes advocate free trade. SSEIN2

- a. Define trade barriers such as tariffs, quotas, embargoes, standards, and subsidies. SSEIN2.A
 - b. Identify costs and benefits of trade barriers to consumers and producers over time. SSEIN2.B
 - c. Describe the purpose of trading blocs such as the EU, NAFTA, and ASEAN. SSEIN2.C
 - d. Evaluate arguments for and against free trade. SSEIN2.D
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SSEIN3. Explain how changes in exchange rates can have an impact on the purchasing power of groups in the United States and in other countries. SSEIN3

- a. Define exchange rate as the price of one nation's currency in terms of another nation's currency. SSEIN3.A
 - b. Interpret changes in exchange rates, in regards to appreciation and depreciation of currency. SSEIN3.B
 - c. Explain why some groups benefit and others lose when exchange rates change. SSEIN3.C
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Personal Finance

SSEPF1. Apply rational decision making to personal spending and saving choices. SSEPF1

- a. Use a rational decision making model to evaluate the costs and benefits of post-high school life choices (i.e., college, technical school, military enlistment, workforce participation, or other option). SSEPF1.A
- b. Create a budget that includes a savings or financial investment plan for a future goal. SSEPF1.B

SSEPF2. Explain that banks and other financial institutions are businesses that channel funds from savers to investors. SSEPF2

- a. Compare services offered by different financial institutions, including banks, credit unions, payday lenders, and title pawn lenders. SSEPF2.A
- b. Explain reasons for the spread between interest charged and interest earned. SSEPF2.B
- c. Give examples of the direct relationship between risk and return. SSEPF2.C
- d. Evaluate the risk and return of a variety of savings and investment options, including: savings accounts, certificates of deposit, retirement accounts, stocks, bonds, and mutual funds. SSEPF2.D

SSEPF3. Explain how changes in taxation can have an impact on an individual's spending and saving choices. SSEPF3

- a. Define progressive, regressive, and proportional taxes. SSEPF3.A
- b. Explain how an increase in sales tax affects different income groups. SSEPF3.B
- c. Explain the impact of property taxes on individuals and communities. SSEPF3.C

SSEPF4. Evaluate the costs and benefits of using credit. SSEPF4

- a. Describe factors that affect credit worthiness and the ability to receive favorable interest rates including character (credit score), collateral, and capacity to pay. SSEPF4.A
- b. Compare interest rates on loans and credit cards from different institutions. SSEPF4.B
- c. Define annual percentage rate and explain the difference between simple and compound interest rates, as well as fixed and variable interest rates. SSEPF4.C

SSEPF5. Describe how insurance and other risk-management strategies protect against financial loss. SSEPF5

- a. List and describe various types of insurance such as automobile, health, life, disability, and property. SSEPF5.A
- b. Explain the costs and benefits associated with different types of insurance, including deductibles, premiums, shared liability, and asset protection. SSEPF5.B

SSEPF6. Describe how the earnings of workers are determined in the marketplace. SSEPF6

- a. Identify skills that are required to be successful in the workplace, including positive work ethics, punctuality, time management, teamwork, communication skills, and good character. SSEPF6.A
- b. Explore job and career options and explain the significance of investment in education, training, and skill development as it relates to future earnings. SSEPF6.B