The Alignment Guides are to assist educators in aligning inquiry and skills based instruction with the *2020 South Carolina Social Studies College- and Career- Ready Standard*s. The development of the Alignment Guides is the work of educators with the intent of continuous revisions based on classroom application.  The documents are accessible for educators to make decisions regarding the suggested inquiry questions and/or content lists based on the needs of students.

## **Economics and Personal Finance Deconstructed Skills**

| **Indicator** | **Expression** |
| --- | --- |
| **ER: Establish Relationships-**  Clearly state, define, explain, and draw connections between ideas and terms. | To demonstrate their ability to **establish relationships**, students should:   * identify and define key terms relating to the study of economics and personal finance. * identify and summarize main idea, important details, and cause and effect relationships on the economy. |
| **IN: Interpret-**  Gather, interpret, and construct data and graphs to evaluate the impact of changes in the economy. | To demonstrate their ability to **interpret** information from multiple sources, students should:   * explore and utilize data to evaluate the cost and benefits of economic and financial choices. * identify and analyze important data used to assess economic well-being. * gather data and information from multiple sources to identify bias and create an informed perspective. * analyze and create charts, graphs, and infographics to illustrate the impact of changes in economic conditions. |
| **CC: Communicate and Conclude-**  Utilize research from a variety sources to discuss policies and ideas in order to create a well-developed argument. | To demonstrate their ability to **communicate and conclude** informed opinions,students should:   * demonstrate civil discourse in interactions concerning decision-making. * identify and evaluate economic issues and outcomes to develop an informed opinion and generate possible alternative solutions. * evaluate multiple sources of information to develop and communicate an informed opinion. * debate economic issues, clarify positions on those issues, and consider opposing viewpoints. |
| **IP: Informed Participation-**  Use acquired knowledge to engage in the marketplace through informed decision making. | To demonstrate the practice of **informed participation**, students should:   * investigate a variety of financial options and make decisions based on sound economic practices. * evaluate the impact of policy decisions at the local, state, national and global spheres and take a stand. * use the tools of economic analysis to actively participate in the market as an informed consumer and worker. |

**Economic Concepts**

**Standard 1:** Demonstrate an understanding of fundamental economic concepts at an individual, business, and governmental level.

**Enduring Understanding:**

The study of economics enables students to make informed decisions about limited resources. Scarcity is an unavoidable reality because societies do not have enough productive resources to satisfy the wants and needs of all individuals. Therefore, choices must be made concerning the production and distribution of resources. Understanding basic economic concepts allows students to adequately compete for resources in the marketplace.

**Expository Narrative and Inquiry:**Examining the concept of scarcity, and how scarcity drives decision making, is essential to understanding economics. People’s wants are unlimited. Resources are not. Scarcity necessitates choices of certain resources over others. Economists often use cost-benefit analysis, weighing the incentives of each alternative, to make rational decisions because every decision we make has a cost. The cost associated with the next best alternative that is not chosen is known as the opportunity cost. Most things in life are not free because someone ultimately has to pay for the initial production of the good or service. Economists term this principle TINSTAAFL, or “There Is No Such Thing As A Free Lunch.” In order to make informed economic decisions, it is necessary to comprehend how the relationship between scarcity and choice requires tradeoffs to satisfy our needs and wants.

Economic systems help deal with the fundamental economic problem of scarcity, as decisions are made concerning the use of limited resources. Economic systems frame the way individuals, businesses, and governments interact based on economic and societal goals. To determine how to manage scarce resources, societies must choose how they will address the three basic economic questions: What to produce? How to produce? And for whom to produce? In addressing these questions, students will address how societies balance their reliance on tradition, interventionist, and laissez-faire ideologies, linking with the economic schools of thought of Adam Smith, David Ricardo, Karl Marx, etc. Additionally, the exploration of multiple sources of information and data to analyze the advantages and disadvantages of different types of economic systems throughout the world, and their outcomes on economic and societal well-being is necessary.

Societies lack enough productive resources to satisfy the wants and needs of consumers and producers; thus, choices about what, how, and for whom to produce must be made. The production possibilities curve model serves as a graphical representation of all possible combinations of goods and services an economy can produce when all productive resources are fully utilized; however, societies are not always efficient. While productivity is the most important contributing factor to economic growth, societies can also experience growth by acquiring more productive resources. Economic growth, prompted by the acquisition of additional resources, shifts a society’s production possibilities outward. More land, labor, capital, and entrepreneurship make it possible for individuals to enjoy more goods and services. Conversely, a decrease in any of the aforementioned factors of production causes economic contraction, or a decrease in a society’s productive capacity. This results in an inward shift of the production possibilities curve.

The production possibilities curve also highlights the need for division of labor, specialization, and trade. This graphic representation illustrates not only the set of possible combinations of goods and services a society can produce given available resources, but also the opportunity costs and tradeoffs encountered by that society’s decision. A society is said to have the absolute advantage in a goods and services when it can produce the most of a product. A society is said to have the comparative advantage in a good or service when its opportunity cost for production is lower than that of another society. While a society may produce both goods or services more efficiently than another society, and thus hold the absolute advantage, societies’ resources are limited and decisions must be made about the best use of those resources. The concept of comparative advantage provides the basis for trade by enabling societies to specialize in the goods and services that have the lowest opportunity cost.

Using cost-benefit analysis can encourage rational decision making for individual, business, or a nation. When considering alternative options, a rational decision maker weighs the additional benefits received against the additional costs of the action before choosing a particular outcome. A rational decision maker considers incentives and acts in a way that maximizes personal welfare. Realizing that resources are limited, self-interested individuals choose to manage resources in a way that gives them the highest satisfaction, businesses attempt to maximize profits, and the government considers potential economic and social outcomes for its citizens. Using cost-benefit analysis can assist individuals, businesses, and governments in setting long term and short-term goals.

**Possible Questions for Inquiry:**

Educators have the flexibility and latitude to use these and other questions that could lead students to engage in inquiry-based learning around the events in Standard 1 and the themes of the course.

* How does scarcity and choice impact decisions made at the local, state, national, and global levels?
* How does self-interest and incentives determine the allocation of resources?

**Economic Concepts**

**Standard 1:**Demonstrate an understanding of fundamental economic concepts at an individual, business, and governmental level.

**Enduring Understanding:**

The study of economics enables students to make informed decisions about limited resources. Scarcity is an unavoidable reality because societies do not have enough productive resources to satisfy the wants and needs of all individuals. Therefore, choices must be made concerning the production and distribution of resources. Understanding basic economic concepts allows students to adequately compete for resources in the marketplace.

**Indicator EPF.1.ER:** Examine how scarcity of time and resources necessitates decision- making.

This indicator was developed to encourage inquiry into how people and societies compete for and allocate resources. The indicator was also designed to promote inquiry into how scarcity necessitates choices of certain resources over others.

**Depth of Knowledge:** Level 2: Basic Reasoning

**Target Skill Indicators: ER Establish Relationships**: Clearly state, define, explain, and draw connections between ideas and terms.

**Possible Content associated with the skill of Establishing Relationships:**

*This is an example of content that can be explored with this skill that speaks to the entirety of Standard 1.  
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* Examine the tradeoffs and opportunity cost associated with attending college or a trade school.

*Educators have the flexibility and latitude to use the following content list and/or additional related content that provides students with opportunities to employ the target skill.*

* Scarcity
* Choice
* Factors of production/resources
* Goods and services
* Needs and wants
* Incentives
* Cost-benefit analysis
* Opportunity cost
* TINSTAAFL Principle (There is no such thing as a free lunch)
* Tradeoffs

**Economic Concepts**

**Standard 1:**Demonstrate an understanding of fundamental economic concepts at an individual, business, and governmental level.

**Enduring Understanding:**

The study of economics enables students to make informed decisions about limited resources. Scarcity is an unavoidable reality because societies do not have enough productive resources to satisfy the wants and needs of all individuals. Therefore, choices must be made concerning the production and distribution of resources. Understanding basic economic concepts allows students to adequately compete for resources in the marketplace.

**Indicator EPF.1.IN:** Research and utilize evidence to explain how various economic systems address the basic economic questions regarding distribution of resources.

This indicator was developed to encourage inquiry into how a society’s economic system helps deal with the fundamental economic problem of scarcity. This indicator also prompts the exploration of multiple sources of information and data to analyze the advantages and disadvantages of different types of economic systems throughout the world, and their outcomes on economic and societal well-being.

**Depth of Knowledge:** Level 3: Complex Reasoning

**Target Skill Indicators: IN: Interpret**-Utilize research from a variety of sources to discuss policies and ideas in order to create a well-developed argument.

**Possible Content associated with the skill of Interpreting:**

*This is an example of content that can be explored with this skill that speaks to the entirety of Standard 1.*

* Gather and interpret data from different countries to determine how they answer the three basic economic questions.

*Educators have the flexibility and latitude to use the following content list and/or additional related content that provides students with opportunities to employ the target skill.*

Adam Smith

Economic systems

* Command
* Market
* Traditional
* Mixed (free enterprise, capitalism, communism, socialism)

Karl Marx

Three Basic Economic questions

* What to produce?
* How to produce?
* Who gets it?

**Economic Concepts**

**Standard 1:**Demonstrate an understanding of fundamental economic concepts at an individual, business, and governmental level.

**Enduring Understanding:**

The study of economics enables students to make informed decisions about limited resources. Scarcity is an unavoidable reality because societies do not have enough productive resources to satisfy the wants and needs of all individuals. Therefore, choices must be made concerning the production and distribution of resources. Understanding basic economic concepts allows students to adequately compete for resources in the marketplace.

**Indicator EPF.1.CC:** Determine how society’s allocation of resources impacts economic well-being using a production possibilities curve.

This indicator was developed to encourage inquiry into the production alternatives encountered by societies using the production possibilities curve. This indicator also promotes inquiry into how the production possibilities model can be used to illustrate the impact of changes in resources and economic growth, while also providing the basis for trade.

**Depth of Knowledge:** Level 1-Recall of Information

**Target Skill Indicators: CC: Communicate and Conclude:** Gather, interpret, and construct data and graphs to evaluate the impact of changes in the economy.

**Possible Content associated with the skill of Communicating and Concluding**

*This is an example of content that can be explored with this skill that speaks to the entirety of Standard 1.*

* Create a well-developed argument that explains a situation in which you would utilize the theory of comparative advantage.

*Educators have the flexibility and latitude to use the following content list and/or additional related content that provides students with opportunities to employ the target skill.*

* Absolute Advantage
* Comparative Advantage
* David Ricardo
* Division of Labor
* Entrepreneurship
* Factors of production (productive resources):
  + land (natural resources)
  + labor (human resource)
  + capital
  + Entrepreneurship
* Economic & Social Goals
* Economic Growth
* Producers and Consumers
* Production Possibilities Curve
* Opportunity Cost
* Productivity
* Specialization
* Trade-off

**Economic Concepts**

**Standard 1:**Demonstrate an understanding of fundamental economic concepts at an individual, business, and governmental level.

**Enduring Understanding:**

The study of economics enables students to make informed decisions about limited resources. Scarcity is an unavoidable reality because societies do not have enough productive resources to satisfy the wants and needs of all individuals. Therefore, choices must be made concerning the production and distribution of resources. Understanding basic economic concepts allows students to adequately compete for resources in the marketplace.

**Indicator EPF.1.IP:** Evaluate how short-term goals allow individuals and institutions to make rational decisions using marginal analysis.

This indicator was developed to encourage inquiry into the use of rational decision-making using marginal analysis. This indicator also encourages inquiry into the processes utilized by individuals, businesses, and governmental agencies to set long- and short-term goals.

**Depth of Knowledge:** Level 4-Extended Reasoning

**Target Skill Indicators: IP: Informed Participation**-Utilize research from a variety of sources to discuss policies and ideas in order to create a well-developed argument.

**Possible Content associated with the skill of Informed Participation:**

*This is an example of content that can be explored with this skill that speaks to the entirety of Standard 1.*

* Explain how incentives impact the decisions that businesses make.

*Educators have the flexibility and latitude to use the following content list and/or additional related content that provides students with opportunities to employ the target skill.*

* Economic & Social Goals
* Incentives
* Cost-benefit analysis
* Opportunity Costs
* Goal Setting (i.e. S.M.A.R.T)

**Financial Literacy**

**Standard 2:** Demonstrate an understanding of how scarcity and choice influence individual financial decisions.

**Enduring Understanding:**

Financial literacy is imperative in making individual economic decisions regarding spending, careers, and setting short- and long-term financial goals. The tools of decision making, and marginal analysis are essential in evaluating possible financial options. The ability to make wise choices can impact standard of living and future earning potential.

**Expository Narrative and Inquiry:**

Many factors influence personal income. Individual choices such as geographic location, cost of living, education level, skill, and investment in human capital are key elements that not only influence wage but also play an important role in determining long-term earning potential. A basic understanding of mandatory and optional payroll deductions and how they impact disposable income is paramount to living within one’s means. This may include, but is not limited to, understanding the purpose of and calculating federal, state, and local taxes and the progressive tax system of the United States. Understanding different types of income is important in the process of establishing short and long term financial goals and creating a personal budget.

Examining financial goals further promotes investigating various post-secondary options and the opportunity cost incurred when various college or career paths are taken. Interest inventories and other online tools are useful in determining future direction based on individual strengths and weaknesses. After identifying potential options, cost-benefit analysis can be utilized to research factors such as financial aid opportunities, average student loan debt, the average cost of specific degrees, beginning and average salary data, job sustainability and growth potential, and cost of living in different geographic locations.

Understanding the role of financial institutions and the distinct differences among them is a necessary part of becoming economically efficient and financially solvent. Financial institutions act as intermediaries between savers and borrowers and how they facilitate the flow of money in the economy. Financial institutions can be categorized as banks (i.e., commercial banks, credit unions) and nonbank financial institutions (i.e., finance companies and investment banks). These institutions offer various services that assist customers in managing day-to-day financial transactions through the use of checking accounts, debit, and credit cards. Deposits into financial accounts are not static; deposited funds are used by financial institutions to make loans to individuals, businesses, and the government to make major purchases or investments. Use of these deposited funds and the resulting new loans is fundamental in assisting individuals achieve short and long-term financial goals. The relationship between financial institutions and the public is critical to enabling liquidity, the movement of goods and services, and facilitating economic growth.

Using credit is borrowing someone else’s money, and is not to be approached without careful consideration of the costs and benefits associated with the decision. Students should understand the various forms of credit and the advantages and disadvantages of using credit for purchases. Credit enables consumers to obtain goods and services before full payment is made with a promise to pay in the future. Credit is often divided into two different categories: secured and unsecured. Secured loans are backed by some form of collateral, like home mortgages or car loans; whereas, unsecured loans are granted by a consumer’s verbal or written affirmation to pay in the future. Further, it is important to use the principle of comparison shopping when considering using credit, including the costs and benefits of fixed and variable interest rates on loans. An amortization table can illustrate the impact of fixed interest rates on long-term purchases, such as a car loan or mortgage, by examining the amounts paid toward principal and interest.

The use of credit can be advantageous to consumers, as it helps facilitate transactions without the use of large amounts of cash and helps build credit history. In particular, credit cards often protect or insure consumer purchases, provide the opportunity to earn benefits or rewards, and can serve as a way to make payments in times of emergency. One of the major drawbacks of using credit is the tendency to spend beyond one’s budget. Borrowing beyond one’s safe debt load can lead to financial hardship in the future. In addition, credit users are also susceptible to fraud. Credit cards, in particular, also often have high interest rates, making it increasingly difficult to pay back borrowed money.

It is essential for students to understand the importance of establishing and maintaining good credit, indicators of creditworthiness, and comparison shopping when using credit. It is important to examine the terms and conditions of the loan in order to fully understand the expectations of lenders. In a highly connected and global society, the use of credit is a key part of life. Building a solid credit history and maintaining a good credit score is critical in determining future standard of living and quality of life. Credit scores not only play a decisive role in the ability to obtain a loan and the interest rate paid, but can also be used by potential employers as a way to screen job applicants. Experian, Equifax, and TransUnion serve as credit rating agencies and allow individuals to proactively monitor their credit. An understanding of the factors that determine creditworthiness, including the three Cs, (character, collateral, and capacity) and the ranges of credit scores are important factors for financially literate individuals to understand.

Effectively managing income can be established by creating a personal budget. How a person chooses to spend money on needs and wants has a direct impact on their standard of living. Careful budgeting includes analyzing the automatic and optional deductions from gross pay and prioritizing the remaining money among mandatory and discretionary purchases. Mandatory payments include, but are not limited to, housing, utilities, transportation, food, clothing, and debt payments. It is important to consider the implications of cost of living in different areas on a person’s budget, spending choices, and standard of living.

Financially literate individuals also realize that something worth having is worth protecting. Insurance policies such as rental/homeowners, car, health, and life insurance provide consumers a way to manage risk and protect against unforeseen circumstances. The Federal Deposit Insurance Corporation (FDIC) also helps to maintain consumer confidence in the banking system. Saving and investment opportunities are also important to short and long-term financial planning. Saving helps individuals become financially secure by putting away money for large purchases, while also providing a safety net in case of emergencies. Some examples of savings strategies include: savings accounts, money market accounts, certificates of deposit (CDs), and bonds. Saving is generally a safe way to hold money for short-term financial goals and, if needed, allows savers to earn interest and easily access cash. However, because of the low risk associated with saving, it also offers very low rates of return.

Investing refers to storing money away in order to accrue interest or greater returns over a period of time. Investments can be used to fund long-term financial goals, such as college savings and retirement plans. Investments, viewed as more long-term in nature, typically experience higher rates of return than savings mechanisms. Long-term investments can lead to considerable personal profits, but substantial risk is involved with the greater potential for return. As with all rational economic decisions, the use of cost-benefit analysis is important in determining the true value of various choices and the importance of prioritizing personal financial goals. Knowledge about successful management of personal finances can help ensure personal economic well-being and help prevent future financial crises.

**Possible Questions for Inquiry:**

Educators have the flexibility and latitude to use these and other questions that could lead students to engage in inquiry-based learning around the events in Standard 2 and the themes of the course.

* How do limited resources impact individual financial choices?
* How does planning for the future impact a person’s standard of living?

**Financial Literacy**

**Standard 2:** Demonstrate an understanding of how scarcity and choice influence individual financial decisions.

**Enduring Understanding:**

Financial literacy is imperative in making individual economic decisions regarding spending, careers, and setting short- and long-term financial goals. The tools of decision-making and marginal analysis are essential in evaluating possible financial options. The ability to make wise choices can impact one’s standard of living and future earning potential.

**Indicator EPF.2.ER:** Research and analyze the factors that impact personal income and long-term earning potential.

This indicator was developed to encourage inquiry into the factors that influence personal income. It also prompts inquiry into various post-secondary options and the opportunity cost incurred when various college or career paths are taken.

**Depth of Knowledge:** Level 4: Extended Reasoning

**Target Skill Indicators: ER Establish Relationships**: Clearly state, define, explain, and draw connections between ideas and terms.

**Possible Content associated with the skill of Establishing Relationships:**

*This is an example of content that can be explored with this skill that speaks to the entirety of Standard 2.*

* Draw connections between interest inventories and post-secondary options and weigh the costs and benefits of the financial commitment of each choice.

*Educators have the flexibility and latitude to use the following content list and/or additional related content that provides students with opportunities to employ the target skill.*

* Budgeting
* Income: gross, net, disposable
* Deductions: Federal and State Income Taxes, FICA
* Taxes: Federal, State, and Local Assessments
* Progressive Tax System
* Cost of living
* Post-secondary options and interest inventories
* Financing a college education

**Financial Literacy**

**Standard 2:** Demonstrate an understanding of how scarcity and choice influence individual financial decisions.

**Enduring Understanding:**

Financial literacy is imperative in making individual economic decisions regarding spending, careers, and setting short- and long-term financial goals. The tools of decision-making and marginal analysis are essential in evaluating possible financial options. The ability to make wise choices can impact one’s standard of living and future earning potential.

**Indicator EPF.2.IN:** Identify and explain the functions of different types of financial institutions and how they assist individuals in achieving short- and long-term financial goals.

This indicator was developed to encourage inquiry into how financial institutions act as intermediaries between savers and borrowers, and how they facilitate the flow of money in the economy. This indicator also prompts the examination of the relationship between financial institutions and the public to enable liquidity and facilitate economic growth.

**Depth of Knowledge:** Level 1: Recall of Information

**Target Skill Indicators: IN: Interpret:** Gather, interpret, and construct data and graphs to evaluate the impact of changes in the economy.

**Possible Content associated with the skill of Interpreting:**

*This is an example of content that can be explored with this skill that speaks to the entirety of Standard 2.*

* Outline the differences of credit and debit cards.

*Educators have the flexibility and latitude to use the following content list and/or additional related content that provides students with opportunities to employ the target skill.*

* Collateral
* Commercial banks
* Credit Unions
* Checking Accounts
* Managing Checking and Savings Accounts
* FDIC
* Liquidity
* Non-bank Financial Institutions: Finance companies Investment banks
* Savings: Savings accounts, Money market accounts, Certificates of deposit (CDs) Bonds
* Types of Interest Rates
* Debit vs. Credit Cards

**Financial Literacy**

**Standard 2:** Demonstrate an understanding of how scarcity and choice influence individual financial decisions.

**Enduring Understanding:**

Financial literacy is imperative in making individual economic decisions regarding spending, careers, and setting short- and long-term financial goals. The tools of decision-making and marginal analysis are essential in evaluating possible financial options. The ability to make wise choices can impact one’s standard of living and future earning potential.

**Indicator EPF.2.CC:** Determine financially responsible ways that individuals acquire and use credit.

This indicator was developed to encourage inquiry into the various forms of credit and the advantages and disadvantages of using credit for purchases. This indicator also encourages inquiry into the importance of establishing and maintaining good credit and the indicators of creditworthiness.

**Depth of Knowledge:** Level 3: Complex Reasoning.’

**Target Skill Indicators: CC: Communicate and Conclude:** Utilize research from a variety of sources to discuss policies and ideas in order to create a well-developed argument.

**Possible Content associated with the skill of Communicating and Concluding:**

*This is an example of content that can be explored with this skill that speaks to the entirety of Standard 2.*

* Analyze an amortization table for multiple loan opportunities and create an argument for which option would best suit one's financial goals.

*Educators have the flexibility and latitude to use the following content list and/or additional related content that provides students with opportunities to employ the target skill.*

* 3 C’s of Creditworthiness
* Amortization table
* Types of interest rates
* Comparison shopping
* Credit monitoring
* Credit rating agencies (Experian, Equifax, TransUnion)
* Credit score
* Credit report
* Types of loans (Mortgage, Student Loan, Title, Pay Day, Credit Cards)

**Financial Literacy**

**Standard 2:** Demonstrate an understanding of how scarcity and choice influence individual financial decisions.

**Enduring Understanding:**

Financial literacy is imperative in making individual economic decisions regarding spending, careers, and setting short- and long-term financial goals. The tools of decision-making and marginal analysis are essential in evaluating possible financial options. The ability to make wise choices can impact one’s standard of living and future earning potential.

**Indicator EPF.2.IP:** Develop a personal finance strategy for investing, protecting, purchasing, and saving resources.

This indicator was developed to encourage inquiry into the process of effectively managing income by creating a personal budget. Further inquiry into this indicator encourages active discourse on the merits and consequences of saving and investing.

**Depth of Knowledge:** Level 4: Extended Reasoning

**Target Skill Indicators: IP: Informed Participation**: Use acquired knowledge to engage in the marketplace through informed decision making.

**Possible Content associated with the skill of Informed Participation:**

*This is an example of content that can be explored with this skill that speaks to the entirety of Standard 2.*

* Create a monthly budget that examines how one’s income is used to spend, save, invest, and protect one’s assets.

*Educators have the flexibility and latitude to use the following content list and/or additional related content that provides students with opportunities to employ the target skill.*

* Amortization table
* Budgeting
* Comparison shopping
* Deductions: Income taxes (Federal and State), FICA (Social Security and Medicare)
* Investing (Individual Retirement Account, Stocks, Mutual Funds, Bonds)
* Liquidity
* Types of insurance (life, medical, home, car, etc)
* Financial goal setting
* Rate of return

**Microeconomics**

**Standard 3:**Demonstrate an understanding of basic microeconomic principles.

**Enduring Understanding:**

Microeconomics investigates the impact of individual decisions on the distribution of scarce resources. A working knowledge of supply and demand and market structures is necessary to understand the study of microeconomics. Changes in demand, supply, and the level of competition in various market structures can affect price and output levels for consumers and profit levels for producers.

**Expository Narrative and Inquiry:**

Markets are developed through the interaction of supply and demand. Participation in the marketplace is a voluntary choice by consumers and producers in order to better themselves. The market system is the primary mechanism for exchange of goods and services in an advanced economy, which is driven by the forces of demand and supply. The laws of demand and supply explain the impact of a change in price on *quantity* demanded or supplied, which initiates movements along the respective demand or supply curve. On the other hand, changes in supply and demand are prompted by changes in external factors, or determinants of supply and demand. A change in one of the determinants of demand results in a shift of the demand curve to the right or left. Similarly, a change in a determinant of supply results in a shift of the supply curve to the right or left. These shifts generate changes in both price and quantity.

In a market, equilibrium price and quantity are established through the interaction of supply and demand. Market prices send signals to both consumers and producers. When prices are too high, surpluses result; however, when prices are too low, shortages ensue. Free market economies recognize these inconsistencies and make adjustments until the market reaches equilibrium. In the face of surpluses, the market price is bid down to the price at which quantity demanded and quantity supplied are equal. When shortages occur, the market price is bid up to the price at which quantity demanded and quantity supplied are equal.

Graphical analysis can be used to illustrate how changes in the determinants of supply and demand shift respective supply and/or demand curves, and alter market price and quantity. Elasticities of supply and demand also determine the degree to which price and quantity are impacted by supply and/or demand changes. Other impacts on the market include using price controls (i.e. price ceilings and price floors) and the consequences of government intervention. Well-constructed graphs show that effective price ceilings set below market equilibrium result in shortages of goods and services. Similarly, diagrams can also be used to illustrate the impact of effective price floors. Set above market equilibrium to impose a minimum price in the market, price floors result in surpluses. Well-constructed diagrams can also be used to interpret possible solutions to surpluses and shortages. Finally, cost-benefit analysis can be utilized to grasp the reasons government chooses to implement price controls in particular markets.

Perfectly and imperfectly competitive market structures (e.g. monopolistic competition, oligopoly, and monopoly) exist to ration scarce resources and are subject to varying degrees of competition. The potential to earn profits motivates firms to take risks with their resources, while consumers are motivated to engage in market transactions to meet their needs or wants. In perfectly competitive product markets with many sellers, consumers reign supreme. Consumers enjoy lower prices, greater access to product information, and a variety of goods and services. Producers in these markets are less likely to earn significant profits and have less incentive to innovate. Markets that are controlled by only one or a few sellers have substantial pricing power. Because of the potential to earn sustained long run profits, imperfect competitors have a greater potential to engage in research and development for new products, and can afford to invest in the newest technologies to improve productive efficiency; however, this does not always occur. Imperfectly competitive firms with significant market power often have less incentive to change due to lack of competition. Producers in these imperfect markets engage in price and non-price competition, such as advertising, to attract consumers and maximize profits. Each market structure has merits and limitations, and a thorough investigation of each structure is imperative to understanding how various markets function and are sustained over time.

In order to fully grasp the factors that may determine income and long-term earning potential, it is important to understand the link between the product market, the market for goods and services, and the factor market, the market for resources that create those goods and services. The circular flow model is a graphical representation of the mutual interdependence of the product market, factor market, and government in a free enterprise system. Because of this connection, labor issues often arise as a response to changes in the market for goods and services. Labor market trends at the state and national levels are driven by demand in the product market, productivity, technological changes and geographical factors. Labor is compensated at an established equilibrium wage, based on formal and informal agreements between employers and employees. Labor organization is highly politicized and is dependent upon geopolitical factors. Spending patterns in the product market, changes in productivity and technology, and government policies often translate to employment and wage fluctuation in the factor market. These interactions explain the interconnectedness of the factor and product markets.

**Microeconomics**

**Possible Questions for Inquiry:**

Educators have the flexibility and latitude to use these and other questions that could lead students to engage in inquiry-based learning around the events in Standard 3 and the themes of the course.

* How do market fluctuations affect exchange in the marketplace?
* What impact does competition have on price?

**Microeconomics**

**Standard 3:**Demonstrate an understanding of basic microeconomic principles.

**Enduring Understanding:**

Microeconomics investigates the impact of individual decisions on the distribution of scarce resources. A working knowledge of supply and demand and market structures is necessary to understand the study of microeconomics. Changes in demand, supply, and the level of competition in various market structures can affect price and output levels for consumers and profit levels for producers.

**Indicator EPF.3.ER:** Apply the laws of supply and demand to determine how changes in market conditions affect prices.

This indicator was developed to encourage inquiry into the development of markets through the interaction of supply and demand, and how prices emerge to act as signals concerning the allocation of resources.

**Depth of Knowledge:** Level 2: Basic Reasoning

**Target Skill Indicators: ER Establish Relationships**: Clearly state, define, explain, and draw connections between ideas and terms.

**Possible Content associated with the skill of Establishing Relationships:**

*This is an example of content that can be explored with this skill that speaks to the entirety of Standard 3.*

* Compare and contrast the goals of producers and consumers.

*Educators have the flexibility and latitude to use the following content list and/or additional related content that provides students with opportunities to employ the target skill.*

Determinants of demand

* tastes and preferences
* number of buyers
* expectations
* price of related goods (Complementary and Substitute
* Income(Inferior and Normal)

Determinants of supply

* cost of resources
* productivity
* technology
* taxes and subsidies
* number of sellers
* expectations

Equilibrium

Graphing Supply and Demand

Law of Demand/Supply

Profit

Quantity Demand

Quantity Supply

Shortage

Surplus

Utility

**Microeconomics**

**Standard 3:**Demonstrate an understanding of basic microeconomic principles.

**Enduring Understanding:**Microeconomics investigates the impact of individual decisions on the distribution of scarce resources. A working knowledge of supply and demand and market structures is necessary to understand the study of microeconomics. Changes in demand, supply, and the level of competition in various market structures can affect price and output levels for consumers and profit levels for producers.

**Indicator EPF.3.IN:**Compare and contrast how the organization of various market structures affects decisions and outcomes of individuals and firms.

This indicator was developed to encourage inquiry into the characteristics of different market structures, their merits and limitations, and how these impact decision-making and the welfare of both consumers and producers.

**Depth of Knowledge:** Level 2: Basic Reasoning

**Target Skill Indicators: IN: Interpret:** Gather, interpret, and construct data and graphs to evaluate the impact of changes in the economy.

**Possible Content associated with the skill of Interpreting:**

*This is an example of content that can be explored with this skill that speaks to the entirety of Standard 3.*

* Evaluate different market structures based on efficiency and desirability.
* Gather information about businesses to interpret their market structure.
* Interpret how equilibrium leads to mutually beneficial transactions in different market structures.

*Educators have the flexibility and latitude to use the following content list and/or additional related content that provides students with opportunities to employ the target skill.*

* Market structures
  + perfect competition
  + Monopoly
  + monopolistic competition
  + oligopoly
* Efficiency
* Equilibrium

**Microeconomics**

**Standard 3:** Demonstrate an understanding of basic microeconomic principles.

**Enduring Understanding:**

Microeconomics investigates the impact of individual decisions on the distribution of scarce resources. A working knowledge of supply and demand and market structures is necessary to understand the study of microeconomics. Changes in demand, supply, and the level of competition in various market structures can affect price and output levels for consumers and profit levels for producers.

**Indicator EPF3.CC:** Illustrate market equilibrium and the impact of shifts in supply and demand, different elasticities, and price controls on market output and price.

This indicator was developed to encourage inquiry into the reasons for changes in market price and quantity. Inquiry into this indicator examines how market conditions and policies alter market equilibrium and economic incentives.

**Depth of Knowledge:** Level 2: Basic Reasoning

**Target Skill Indicators: CC: Communicate and Conclude:** Utilize research from a variety of sources to discuss policies and ideas in order to create a well-developed argument.

**Possible Content associated with the skill of Communicating and Concluding:**

*This is an example of content that can be explored with this skill that speaks to the entirety of Standard 3.*

* Research current examples of price controls and detail their impact on various stakeholders.

*Educators have the flexibility and latitude to use the following content list and/or additional related content that provides students with opportunities to employ the target skill.*

* Efficiency
* Elasticity
* Price Controls (Ceilings and Floors)
* Shortage
* Surplus

**Microeconomics**

**Standard 3:**Demonstrate an understanding of basic microeconomic principles.

**Enduring Understanding:**

Microeconomics investigates the impact of individual decisions on the distribution of scarce resources. A working knowledge of supply and demand and market structures is necessary to understand the study of microeconomics. Changes in demand, supply, and the level of competition in various market structures can affect price and output levels for consumers and profit levels for producers.

**Indicator EPF.3.IP:** Research and evaluate geopolitical influences on employment trends and issues at the state and national level.

This indicator was developed to encourage inquiry into state and national trends and issues in the job market. This indicator also prompts inquiry into how international trade, geography, government policies, collective bargaining, labor market conditions, and the prices of goods and services affect employment trends.

**Depth of Knowledge:** Level 4: Extended Reasoning

**Target Skill Indicators: IP: Informed Participation:** Use acquired knowledge to engage in the marketplace through informed decision making.

**Possible Content associated with the skill of Informed Participation:**

*This is an example of content that can be explored with this skill that speaks to the entirety of Standard 3.*

* Create a personalized circular flow model that explains the role of students in both the firm and household.

*Educators have the flexibility and latitude to use the following content list and/or additional related content that provides students with opportunities to employ the target skill.*

* Circular flow model
* Factor market
* Product market

**Macroeconomics**

**Standard 4:** Demonstrate an understanding of basic macroeconomic principles.

**Enduring Understanding:**

Macroeconomics focuses on the behavior and performance of the economy as a whole. Analysis of macroeconomic data provides important information pertaining to the economic well-being of a society and prompts governments to make reasonable corrections as necessary. Government intervention is often used to stabilize and safeguard the economy; however, it is frequently met with strong reactions and opinions from both the public and institutions alike.

**Expository Narrative and Inquiry:**

The health of an economy can be measured by economic indicators and how they relate to individuals, businesses, the government, and the foreign sector. Economic indicators are statistics that show past, present, and future trends in an economy. Analysis of data relating to a nation’s output (GDP), price level, and unemployment rate is often useful when judging economic performance and progress toward the economic goals of economic growth, price stability, and low unemployment. Investigating the different types and components of unemployment, inflation, and GDP is important in measuring the health of the economy. Most countries have a target for each of these indicators; however, economies often move toward expansion through regular fluctuations of the business cycle. This data ultimately serves as a benchmark for decision making by households, businesses, governments, and interaction in foreign markets.

United States government promotes the economic goals of price stability, full employment, and economic growth through fiscal and monetary policies. Fiscal policy is the use of government spending and taxation to influence the nation’s level of employment, GDP , and price level. Demand side policies (e.g. Keynesian economics) are used to stabilize the economy through changes in taxation and government spending. Supply-side policies (e.g. trickle down economics) focus on altering overall production through deregulation and changes in taxation. Monetary policy, which is used to regulate the money supply in the economy, is conducted by the Federal Reserve. Monetary policy tools include: buying/selling bonds (open market operations), the discount rate, federal funds rate, and the reserve ratio. Monetary policy can be used to increase or decrease interest rates and the money supply through the fractional reserve banking system. This directly impacts the unemployment rate, inflation rate, and GDP. Lowering interest rates and increasing the money supply can lead to decreased unemployment and increased GDP; whereas, increasing interest rates and contracting the money supply can slow down an overheating economy.

Market failures occur when free markets do not lead to an efficient allocation of goods and services. Governments attempt to correct market failures by enacting policies to: correct positive and negative externalities, provide public goods, redistribute income, and regulate monopolistic practices. Arguments exist about government intervention in a competitive market, which highlights the need for respectful discourse regarding these sources of contention (i.e. environmental controls, income inequality, healthcare, and minimum wage).

Globalization refers to the increasing interdependence of economies throughout the world through international trade of goods and services. International trade allows individuals and nations to specialize in the goods/services in which they have a comparative advantage, or can produce at a lower opportunity cost than others. In the *Wealth of Nations,* Adam Smith asserted that countries should import goods that could be made more cheaply abroad, while David Ricardo was credited with the theory of comparative advantage. As a result of increasing interconnectedness of global markets and a reduction in trade barriers over time, consumption and production have increased throughout the world. Exchange rates, which are determined by the supply and demand of each country’s currency, impact the imports and exports for their economy.

International trade also lends itself to arguments for and against free trade and trade restrictions. Free trade advocates point to the importance of consumer sovereignty, reduction of power of the state, cultural blending, and increased peace and opportunities for those in poverty. Consumers enjoy lower prices and a greater variety of goods and services, while producers are able to sell their goods to a more sizeable market. Protectionists often advocate using six major arguments in favor of trade barriers: national defense, promotion of infant industries, protecting domestic jobs, keeping money at home, helping the balance of payments, and supporting a nation’s pride. Trade barriers commonly take the form of tariffs, quotas, and embargoes. While most restrictions seek to protect domestic markets and producers, domestic consumers often incur the cost of protectionism in the form of higher prices, decreased quantity, and limited variety of goods and services. Recent growth in international organizations, trade agreements, and regional economic agreements have expanded trade liberalization.

Economic reasoning can be used to promote critical thinking about contemporary economic policy issues and their impact on the well-being of individuals and economic growth of societies. By investigating current economic policies, their possible effects on individuals, businesses, and the American political system at large, students can make connections to current events and economic policy. Though the American economy is classified as a capitalist free enterprise system, the scope of government regulatory policies has become increasingly apparent. Regulatory actions in the sphere of economics are often met with intended and unintended consequences. Politicians are also concerned with the consequences of their support or resistance to economic policies. As with most political topics, public policy issues related to economics are fluid and can be augmented or diminished by linkage institutions, public perceptions, and world affairs.

**Macroeconomics**

**Possible Questions for Inquiry:**

Educators have the flexibility and latitude to use these and other questions that could lead students to engage in inquiry-based learning around the events in Standard 4 and the themes of the course.

* How do economic indicators allow government to stabilize the economy?
* When is intervention in a free enterprise system justified?

**Macroeconomics**

**Standard 4:** Demonstrate an understanding of basic macroeconomic principles.

**Enduring Understanding:**

Macroeconomics focuses on the behavior and performance of the economy as a whole. Analysis of macroeconomic data provides important information pertaining to the economic well-being of a society and prompts governments to make reasonable corrections as necessary. Government intervention is often used to stabilize and safeguard the economy; however, it is frequently met with strong reactions and opinions from both the public and institutions alike.

**Indicator EPF.4.ER:** Identify and analyze important economic indicators and data used to gauge the economic well-being of a society.

This indicator was designed to encourage inquiry into how individuals, businesses, the government, and the foreign sector interact and how economic indicators, such as Gross Domestic Product, unemployment and inflation data, are used to measure the health of an economy.

**Depth of Knowledge:** Level 3: Complex Reasoning

**Target Skill Indicators: ER: Establish Relationships:** Clearly state, define, explain, and draw connections between ideas and terms.

**Possible Content associated with the skill of Establishing Relationships:**

*This is an example of content that can be explored with this skill that speaks to the entirety of Standard 4.*

* Analyze unemployment, inflation, and GDP data to measure the economic well-being of a society.

*Educators have the flexibility and latitude to use the following content list and/or additional related content that provides students with opportunities to employ the target skill.*

* Business Cycle
* Economic Goals: Price Stability, low unemployment, growth
* Gross Domestic Product (GDP): Components, Calculation, inclusions, and exclusions
* GDP and GDP per capita
* Inflation, deflation, hyperinflation
* Consumer Price Index (CPI)
* Unemployment: components, inclusions, and exclusions
* Types of unemployment
* Standard of Living

**Macroeconomics**

**Standard 4:**Demonstrate an understanding of basic macroeconomic principles.

**Enduring Understanding:**

Macroeconomics focuses on the behavior and performance of the economy as a whole. Analysis of macroeconomic data provides important information pertaining to the economic well-being of a society and prompts governments to make reasonable corrections as necessary. Government intervention is often used to stabilize and safeguard the economy; however, it is frequently met with strong reactions and opinions from both the public and institutions alike.

**Indicator EPF.4.IN:** Provide justification for or against regulation in a free-enterprise system.

This indicator was designed to encourage inquiry into how the United States government and other entities promote the economic goals of price stability, full employment, and economic growth through the use of fiscal and monetary policies. This indicator also investigates the role of the Federal Reserve system in overseeing the U.S. banking system and regulating the money supply in the economy.

**Depth of Knowledge:** Level 2: Basic Reasoning

**Target Skill Indicators: IN: Interpret:** Gather, interpret, and construct data and graphs to evaluate the impact of changes in the economy.

**Possible Content associated with the skill of Interpreting:**

*This is an example of content that can be explored with this skill that speaks to the entirety of Standard 4.*

* Research historical examples of the Federal Reserve’s use of monetary policy and evaluate its success or failure.

*Educators have the flexibility and latitude to use the following content list and/or additional related content that provides students with opportunities to employ the target skill.*

* Market Failures
* Positive and Negative Externalities
* Public Goods
* Redistribution of Income
* Government Regulation
* Imperfect Competition
* Federal Reserve Bank
* Tools of Monetary Policy
* Open market operations (bonds/securities)
* Federal Funds Rate
* Discount Rate
* Reserve Ratio
* Tools of Fiscal Policy: Taxation and spending
* Demand and Supply Side Policies
* Fractional Reserve System

**Macroeconomics**

**Standard 4:**Demonstrate an understanding of basic macroeconomic principles.

**Enduring Understanding:**

Macroeconomics focuses on the behavior and performance of the economy as a whole. Analysis of macroeconomic data provides important information pertaining to the economic well-being of a society and prompts governments to make reasonable corrections as necessary. Government intervention is often used to stabilize and safeguard the economy; however, it is frequently met with strong reactions and opinions from both the public and institutions alike.

**Indicator EPF.4.CC:** Evaluate the impact of globalization and trade on the economic well- being of a country.

This indicator was developed to encourage inquiry into the positive and negative effects of globalization and trade on individuals, businesses, and countries. As a result of the interconnectedness of markets throughout the world, societies adopt policies that promote and/or discourage trade liberalization, which may include international organizations, treaties, tariffs, quotas and embargoes.

**Depth of Knowledge:** Level 3: Complex Reasoning

**Target Skill Indicators: CC: Communicate and Conclude:** Utilize research from a variety of sources to discuss policies and ideas in order to create a well-developed argument.

**Possible Content associated with the skill of Communicating and Concluding:**

*This is an example of content that can be explored with this skill that speaks to the entirety of Standard 4.*

* Research regional economic agreements and discuss their effectiveness.

*Educators have the flexibility and latitude to use the following content list and/or additional related content that provides students with opportunities to employ the target skill.*

* Globalization
* Adam Smith  
  David Ricardo
* International Trade
* Trade Barriers: tariffs, quotas, embargoes,
* Foreign exchange
* Exchange Rates
* International Trade Organizations
* Regional Economic Agreements
* Imports and Exports
* Trade deficit and surplus
* Protectionism vs. Free Trade

**Macroeconomics**

**Standard 4:**Demonstrate an understanding of basic macroeconomic principles.

**Enduring Understanding:**

Macroeconomics focuses on the behavior and performance of the economy as a whole. Analysis of macroeconomic data provides important information pertaining to the economic well-being of a society and prompts governments to make reasonable corrections as necessary. Government intervention is often used to stabilize and safeguard the economy; however, it is frequently met with strong reactions and opinions from both the public and institutions alike.

**Indicator EPF.4.IP:** Investigate contemporary economic policies, and analyze how political ideologies influenced their implementation.

This indicator was developed to encourage inquiry into recent and currently debated economic policies and their possible effects on individuals, businesses, and the American political system. This indicator was designed to encourage the use of economic reasoning to promote critical thinking about significant policy issues and their impact on the well-being of individuals and economic growth of societies.

**Depth of Knowledge:** Level 4-Extended Reasoning

**Target Skill Indicators: IP: Informed Participation:** Engage in the political process using acquired knowledge to perform civic duties.

**Possible Content associated with the skill of Informed Participation:**

*This is an example of content that can be explored with this skill that speaks to the entirety of Standard 4.*

* Analyze the strengths and limitations of international trade.

*Educators have the flexibility and latitude to use the following content list and/or additional related content that provides students with opportunities to employ the target skill.*

* International Trade Organizations