# High School Economics Curriculum and Assessment Alignment

| 2.2High School Economics Content Expectation | *State Assess | **Assess Category | Focus Question | ***Sample Response to Focus Question | SCAS |
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| **1.1 Individual, Business, and Government Choices**<br>**Explain and demonstrate how economic organizations confront scarcity and market forces when organizing, producing, using, and allocating resources to supply the marketplace.** | | | | | |
| Chapter 1-1, 1-3<br>1.1.1 Using examples explain how scarcity, choice, opportunity costs affect decisions that households, businesses, and governments make in the market place and explain how comparative advantage creates gains from trade. | S | M | 1. How do households, businesses, and government confront unlimited wants but limited resources?<br>2. Why do households, businesses, and government produce particular goods and services?<br>3. How does comparative advantage create gains from trade? | 1. Scarcity means that people, businesses, and governments have more wants and needs than they have resources. This reality forces them to make choices. All sectors of the economy make choices constantly. Because of limited resources, every choice has an associated opportunity cost-the value of the goods or services you must give up when you make a choice.<br>2. The decision to produce a particular good or service is dependent on the opportunity costs of available resources. Decisions are generally made to produce goods based on the opportunity cost required to produce another good.<br>3. Comparative advantage results in a more efficient use of limited resources. This leads individuals, companies or nations to trade with each other. Individuals, companies or nations trade with each other because they can produce some goods and services more efficiently than other goods and services. Money from the sale of goods and services traded can be used to purchase goods and services they cannot produce efficiently. Trade occurs when the opportunity cost to produce a good or service is higher when we produce it ourselves. Mutual trade benefits all parties. Oranges could be grown in Michigan, with the use of greenhouses, but would be very costly and wasteful of Michigan's limited resources. We can then say that Florida has a comparative advantage in oranges, while Michigan has a comparative advantage, because of climate and soil, in the growing of cherries. | X |
| Chapter 1-3<br>1.1.2 Identify the risks, returns and other characteristics of entrepreneurship that bear on its attractiveness as a career. | S | M | What are the expected costs and benefits of being an entrepreneur? | Entrepreneurship is attractive because of the potential for higher returns, in the form of profits, given the higher risks or costs involved. Benefits could include independence, working conditions, and creativity. Costs include the risk of losing money and the opportunity costs of another more secure career. | X |

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| **1.2 Competitive Markets**<br>**Analyze how the functions and constraints of business structures, the role of price in the market, and relationships of investment to productivity and growth, impact competitive markets.** | | | | | |
| 1.2.1 Compare and contrast the functions and constraints facing economic institutions including small and large businesses, labor unions, banks, and households. | C | | 1. What roles do economic institutions (households, businesses, labor unions, and financial institutions) play in the functioning of a competitive market?<br>2. What constraints do economic institutions face in a competitive market? | 1. The function of economic institutions is to provide the factors of production in exchange for compensation in the form of wages, rents, interest, and profit as generally represented in the circular flow model.<br>2. Economic Institutions deal with scarcity forcing them to make choices. Access to productive resources and government regulation are two examples of constraints all economic institutions face in a market. | X |
| 4-1 & 5-1<br>1.2.2 Analyze how prices send signals and provide incentives to buyers and sellers in a competitive market. | C | | How do prices affect the actions of buyers and sellers? | Prices send signals to buyers and sellers that motivate their decisions in a competitive market. High prices provide a signal for sellers to enter the market, while providing a signal for buyers to exit the market. Low prices can be a signal to buyers that it is an advantageous time to buy while signaling sellers to exit. In a competitive market, prices provide information for the most efficient use of resources. | X |
| 1-2, 5-1<br>1.2.3 Analyze the role investments in physical (e.g., technology) and human capital (e.g., education) play in increasing productivity and how these influence the market. | C | | How does investment in technology and human capital affect productivity and the market? | An increase in education and/or technology results in more efficient use of the factors of production, leading to higher productivity and a more competitive marketplace. Increases in productivity realized through technology investments decrease production costs, leading to decreased prices and improvements in product quality. Additional investments in education lead to a more skilled and productive workforce, bringing down costs and increasing competitiveness. Investment in technology and education results in higher quality goods and services at lower prices. Improved technology in cell phones could increase the amount of work that a business person can do while out of the office, for example. | X |

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| **1.3 Prices, Supply, and Demand**<br>**Compare how supply, demand, price, equilibrium, elasticity, and incentives affect the workings of a market.** | | | | | |
| Chapter 5<br>Chapter 1-3<br>1.3.1 Explain the law of supply and analyze the likely change in supply when there are changes in prices of the productive resources (e.g., labor, land, capital including technology), or the profit opportunities available to producers by selling other goods or services, or the number of sellers in a market. | S | M | How do businesses use the law of supply to respond to changes in market conditions? | The law of supply states that the quantity of goods supplied will be greater at a higher price than at a lower price.<br>If the market price for a good or service remains the same<br>• an increase in the costs of production will decrease the supply, and a decrease in cost will increase the supply<br>• if the profit opportunities available by producing other goods or services increase, the supply will decrease; the supply of the goods or service will likely increase if the profit opportunities elsewhere decrease<br>• an increase in the number of sellers should increase the quantity supplied<br>Businesses use this information to make decisions about production. | X |
| Chapter 4<br>1.3.2 Explain the law of demand and analyze the likely change in demand when there are changes in prices of the goods or services, availability of alternative (substitute or complementary) goods or services, or changes in the number of buyers in a market created by such things as change in income or availability of credit. | S | M | How do consumers use the law of demand to respond to changes in market conditions? | The law of demand states that consumers will buy more goods and services at lower prices than at higher prices.<br>Changes in demand mean that<br>• an increase in the price of a substitute good or service will increase the demand; and a decrease in price will decrease the demand<br>• an increase in the price of a complementary good or service will lead to a decrease in the demand for the good; and decrease in prices will lead to an increase in demand<br>• an increase in the number of consumers in the market will increase the demand for a good or service<br>• a change in taste or preference will change the demand for a good or service<br>• an increase in income will generally increase the demand for goods and services<br>Buyers will use this information to make decisions about purchases.<br>Higher gasoline prices have changed consumers demand for larger vehicles – complementary goods. Higher gasoline prices have encouraged consumers to use car pools, buses, bicycles, and motorcycles more – substitute goods. | X |

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| Chapter 6<br>1.3.3 Analyze how prices change through the interaction of buyers and sellers in a market including the role of supply, demand, equilibrium, elasticity, and explain how incentives (monetary and non-monetary) affect choices of households and economic organizations. | S | CC | How do buyers and sellers interact to solve the basic economic problem of unlimited wants and limited resources? | Generally, suppliers want to sell at a high price and buyers want to buy at a low price. The market or equilibrium price is established when all goods and services offered are purchased. Equilibrium price is determined at the price level where the voluntary exchange between buyer and seller takes place. Changes in price trigger changes in consumer demand, indicating the elasticity of demand for the good or service. For example, Hannah Montana concert tickets double in price, but her concerts still sell out because demand is inelastic. When the price of school lunch doubles, more people bring their lunch because demand for school lunch is elastic.<br>People respond to incentives in predictable ways. For example, individuals with large incomes may purchase private boxes to sporting events for the tax benefits – monetary incentive; and/or for image enhancement – non-monetary incentive. | X |
| **1.4 Role of Government in the Market**<br>**Describe the varied ways government can impact the market through policy decisions, protection of consumers, and as a producer and consumer of goods and services, and explain how economic incentives affect government decisions.** | | | | | |
| 6-3<br>1.4.1 Analyze the impact of a change in public policy (such as an increase in the minimum wage, a new tax policy, or a change in interest rates) on consumers, producers, workers, savers, and investors. | C | | How does a change in public policy impact behavior in our roles as producers, consumers, workers, savers, and investors? | Public policies provide incentives and disincentives to all affected parties. People react to incentives and disincentives in ways that will best serve their self interests. A new tax policy will affect consumers, producers, workers, savers, and investors in predictable ways. An increase in the minimum wage will bring some people into the job market, while a decrease will have the opposite effect. Employers will be willing to hire additional workers at a lower wage than at a higher wage. An increase in the minimum wage, price floor, is an incentive to some individuals, but a disincentive to hire new workers for some businesses. Rent control and price ceiling policies provide incentives for renters, but a disincentive for landlords. | X |
| Chapter 2-3, 7-3, 9-1, 16-2<br>1.4.2 Analyze the role of government in protecting consumers and enforcing contracts, (including property rights), and explain how this role influences the incentives (or disincentives) for people to produce and exchange goods and services. | S | Cc | 1. What role does the government play in protecting consumers and enforcing contracts?<br>2. How does the government utilize incentives (or disincentives) to motivate and/or influence what people produce and trade? | 1. Government protects consumers by regulating the health and safety of services and products. In addition, protecting the property rights of individuals and businesses to own, sell, buy, and enhance property, is an important function of the rule of law and due process described in the U.S. Constitution.<br>2. An example of a disincentive is when the government established high cigarette taxes as a way to discourage smoking. An example of an incentive was when the government created tax incentives for installing energy efficient windows. | X |

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| Chapter 9-1, 9-2, 10-1, 10-2<br>1.4.3 Analyze the ways in which local and state governments generate revenue (e.g., income, sales, and property taxes) and use that revenue for public services (e.g., parks and highways). | S | M | How do state and local governments generate and spend revenue? | Government generates revenue for public goods and services through collecting fines and licenses, and taxing sales, income, wealth, and property. One example is the gasoline tax, which is used to provide and care for highways. | X |
| Chapter 2-3, 7-3, 16-2<br>1.4.4 Explain the various functions of government in a market economy including the provision of public goods and services, the creation of currency, the establishment of property rights, the enforcement of contracts, correcting for externalities and market failures, the redistribution of income and wealth, regulation of labor (e.g., minimum wage, child labor, working conditions), and the promotion of economic growth and security. | S | M | What are the various functions of government in a market economy? | The government functions as a referee in the marketplace. Government explains the rules, provides incentives, and enforces penalties for those who break them. Government<br>• protects against negative externalities such as polluting lakes or air and promotes positive externalities such as requiring safety seats for children<br>• provides public goods and services<br>• creates currency<br>• establishes property rights<br>• enforces contracts<br>• corrects for market failures<br>• redistributes income and wealth<br>• regulates labor<br>• promotes economic growth and security | X |
| 14-3, 15-2, 15-3, 9-2, 10-1,10-2<br>1.4.5 Identify and explain how monetary and non-monetary incentives affect government officials and voters and explain how government policies affect the behavior of various people including consumers, savers, investors, workers, and producers. | C | | How does the government use monetary and non-monetary incentives to influence various people in their roles in the economy? | As part of the economic system, government creates policies that influence people's choices and incentives. Some policies have monetary benefits, such as tax credits and subsidies. Others have non-monetary benefits, such as providing for the national defense. Given these policies, consumers and producers behave in ways to maximize their benefits and minimize their costs. Roth IRAs were created as a positive incentive for people to save for retirement. | X |
| **2.1 Understanding National Markets**<br>**Describe inflation, unemployment, output, and growth, and the factors that cause changes in those conditions, and describe the role of money and interest rates in national markets.** | | | | | |
| Chapter 1-2<br>2.1.1 Describe how individuals and businesses earn income by selling productive resources. | S | M | How do households and businesses interact in the buying and selling of productive resources (land, labor, capital, entrepreneurship)? | In a market economy, households own the factors of production and sell them to the high bidder through the productive resources market. In exchange for their productive resources, households receive wages, rents, profit, and interest to use in the product market to buy goods and services. Utilizing the factors of production purchased from the households in the productive resources market, businesses produce goods and services for the product market. | X |

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| Chapter 1-2<br>2.1.2 Using the concept of circular flow, analyze the roles of and the relationships between households, business firms, financial institutions, and government and nongovernmental agencies in the economy of the United States. | C | | How do the household, business, and government sectors interrelate in the U.S. economy? | In exchange for revenue through taxes on individuals and businesses, government provides public goods and services, such as public education, highways, parks, national defense, regulatory oversight, and the redistribution of wealth and income. Government uses tax revenues to purchase goods and services from businesses and individuals to provide for public use. This money paid to individuals and businesses becomes income with which they can buy goods and services in the product market, save, or invest. Businesses and individuals provide factors of production to each other, for which they receive income, as well as to the government. | X |
| 14-3<br>2.1.3 Analyze how decisions by the Federal Reserve and actions by financial institutions (e.g., commercial banks, credit unions) regarding deposits and loans, impact the expansion and contraction of the money supply. | C | | How does the Federal Reserve control the money supply? | The Federal Reserve System controls the flow of money through three monetary tools: discount rate, reserve requirement, and Open Market Operations.<br>When the Federal Reserve<br>• decreases the discount rate – the rate charged to banks for overnight loans – the money supply increases; when the discount rate increases, the money supply decreases<br>• decreases the reserve requirement – the amount of money that must be held in reserve by banks – the money supply increases; when the reserve requirement is increased, the money supply decreases<br>• buys U.S. securities – United States Treasury Notes – the money supply increases; when it sells U.S. securities, the money supply decreases. | X |
| Chapter 13-2<br>2.1.4 Explain the relationships between money supply, inflation, and recessions. | S | M | 1. What is the relationship between money supply and inflation?<br>2. How does the money supply impact recessions? | 1. The relationship between inflation and the money supply is an increase in the general price level caused by an increase in the money supply. It is often characterized as too much money chasing too few goods.<br>2. Too much money creates inflation and increases the possibility of a recession. | X |
| 12-1 & 13-1<br>2.1.5 Use GDP data to measure the rate of economic growth in the United States and identify factors that have contributed to this economic growth. | C | | 1. What is GDP?<br>2. What are the key components that measure GDP and contribute to an economy's economic growth? | 1. GDP is Gross Domestic Product. As one measure of economic growth, it measures the final value of all goods and services produced within the borders of a country in a set time period.<br>2. The key components of GDP include household consumption (C), business investment (I), government expenditures to operate (G), and a country's exports (X) minus its imports (M); net trade is represented by (X-M). We can use GDP data to measure the rate of economic growth in the United States. We can identify the contribution of the production of specific goods such as consumer goods, which can be durable goods, non-durable goods, and services; investment goods, which can be new plants and equipment, private housing, and inventories; or the government sector, which can be federal, state, or local government; to analyze an increase or decrease in GDP. | X |

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| Chapter 13-3<br>2.1.6 Unemployment – Analyze the character of different types of unemployment including frictional, structural, and cyclical. | S | M | What are the key characteristics that define frictional, structural, and cyclical unemployment? | Frictional unemployment refers to people between jobs. Structural unemployment refers to significant changes in an economy so that current skills of the labor force do not match with the labor needs of the changed economy. Cyclical unemployment refers to people without work because of the seasonal or business cycle nature of labor. Individuals involved in road repair and construction experience cyclical unemployment during the winter months. Certain regions of Michigan are currently experiencing structural unemployment. | X |
| 12-1, 13-1<br>2.1.7 Using a number of indicators, such as GDP, per capita GDP, unemployment rates, and Consumer Price Index, analyze the characteristics of business cycles, including the characteristics of peaks, recessions, and expansions. | C | | How do we analyze the characteristics of the business cycle? | We can use GDP, unemployment rates, and inflation as measured by the CPI – Consumer Price Index – to analyze the characteristics of business cycles. These macroeconomic measures provide indicators of an economy's health and a static measure of an economy's relative position in a business cycle. A business cycle is a dynamic measure characterized by peaks, troughs, expansions, and recessions or contractions. A business cycle is not regular or predictable; its timing is random, and largely unpredictable.<br>A business cycle is identified as having four phases:<br>1) Contraction or recession – a slowdown in the pace of economic activity<br>2) Trough – the lower turning point, where a contraction turns into expansion<br>3) Expansion – a speed up in economic activity<br>4) Peak – the upper turning point of a business cycle | X |
| 12-1,<br>2.1.8 Explain how spending on consumption, investment, government and net exports determines national income; explain how a decrease in total expenditures affects the value of a nation's output of final goods and services. | C | | How do C+I+G+(X-M) impact National Income and the nation's output of final goods and services? | National Income measures an economy's total value of wages, rents, and profits to purchase goods and services in the product market. GDP measures an economy's total value of final goods and services produced within an economy during a set time period. An economy is in equilibrium when its National Income is equal to its GDP. A decrease in the aggregate demand for goods and services should negatively impact the GDP, while an increase in National Income should increase the GDP. | X |

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| Chapter 3-2, 16-1, 18-1, Pages 226-227<br>2.1.9 Analyze the changing relationship between the American economy and the global economy including, but not limited to, the increasing complexity of American economic activity (e.g., outsourcing, off-shoring, and supply-chaining) generated by the expansion of the global economy. *(National Geography Standard 11, p. 206)* | S | CC | What impact is globalization having on the U.S. economy? | Globalization has brought expected and unexpected benefits and costs to the U.S. economy. Globalization is forcing Americans to change the way they think about the rest of world in areas such as education, trade policies, diplomacy, and culture. In addition, advances in communication, technology, and the pressures of competition in more open global markets, have provided more buyers and sellers globally. World wide, consumers and businesses have benefited from more choices, lower prices, and increased quality of goods and services. The productive resources and product markets are now global in variety and access.<br>Economic changes include<br>• outsourcing – moving production to other locations – comparative advantage<br>• supply chaining, horizontal production using discrete companies<br>• off-shoring<br>• multi-national corporations, corporations with facilities in many countries,<br>• trade agreements with new trading partners including developing nations-developed nations are beginning trade relationships with nations whose economies are in a developing phase-Vietnam, Ghana, Indonesia. | X |
| **2.2 Role of Government in the United States Economy**<br>**Analyze the role of government in the United States economy by identifying macroeconomic goals; comparing perspectives on government roles; analyzing fiscal and monetary policy; and describing the role of government as a producer and consumer of public goods and services. Analyze how governmental decisions on taxation, spending, protections, and regulation impact macroeconomic goals.** | | | | | |
| Chapter 13-1, 13-2, 13-3<br>2.2.1 Identify the three macroeconomic goals of an economic system (stable prices, low unemployment, and economic growth). | S | CC | What are the three macroeconomic goals of any economic system? | The three macroeconomic goals of any economy are stable prices, high employment, and economic growth. | X |

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| 15-2 & 15-3<br>9-1, 9-2, 10-1, 10-3<br>2.2.2 Compare and contrast differing policy recommendations for the role of the Federal government in achieving the macroeconomic goals of stable prices, low unemployment, and economic growth. | C | | What are the different economic policies the Federal government uses to achieve macroeconomic goals? | Through fiscal policy, the Federal government can expand or contract the economy through tax and spending policies.<br>The Federal government can expand the economy by<br>• increasing spending in areas such as research, highways, or education and training<br>• issuing tax cuts as a tool to increase demand in a slow economy<br>The Federal government can contract the economy by<br>• decreasing government spending<br>• increasing taxes | X |
| 15-2<br>Chapter 12-1, 12-2, 12-3 16-2 Smoot-Hawley<br>2.2.3 Analyze the consequences – intended and unintended – of using various tax and spending policies to achieve macroeconomic goals of stable prices, low unemployment, and economic growth. | S | M | How does the government use fiscal policy as a means to achieve macroeconomic goals? | Examples of tax policies with unintended consequences include<br>• the Smoot-Hawley Act: At the start of the Great Depression, our government passed high tariffs to increase employment. The unintended consequence was a significant increase in unemployment.<br>• excise tax on yachts: During the 1980s, our government imposed an excise tax on the sale of yachts to raise revenue. The unintended consequence was a significant decline in the purchase of yachts which nearly destroyed the yacht-building industry.<br>All actions have consequences, intentional and unintentional, which lie in the future. | X |

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| Chapter 14-2, 14-3<br>2.2.4 Explain the roles and responsibilities of the Federal Reserve System and compare and contrast the consequences – intended and unintended – of different monetary policy actions of the Federal Reserve Board as a means to achieve macroeconomic goals of stable prices, low unemployment, and economic growth. | S | M | How does the Federal Reserve use monetary policy as a means to achieve macroeconomic goals? | The main focus of the Federal Reserve is the macroeconomic goal of stable prices and low inflation. Through monetary policy, the Federal Reserve can expand or contract the economy by controlling the money supply and interest rates. With a stable money supply, other macroeconomic goals such as economic growth and low unemployment are achieved.<br>The Federal Reserve expands the economy by<br>• decreasing the discount rate<br>• decreasing the reserve requirement<br>• buying U.S. securities<br>The Federal Reserve contracts the economy by<br>• increasing the discount rate<br>• increasing the reserve requirement<br>• selling U.S. securities<br>The Federal Reserve controls the money supply to achieve price stability and influences interest rates to achieve low unemployment, and consequently, economic growth.<br>(See E2.1.3) | X |
| Chapter 10-1, 10-2<br>2.2.5 Analyze the ways in which governments generate revenue on consumption, income and wealth and use that revenue for public services (e.g., parks and highways) and social welfare (e.g., social security, Medicaid, Medicare). | S | M | How do governments generate and spend revenue for public services and social welfare programs? | Governments generate revenue for public goods and services through collecting fines and licenses, and taxing sales, income, wealth, and property.<br>Governments use the revenue to provide<br>• public goods and services such as national defense, schools, libraries, and roads<br>• social welfare to establish a minimum level of economic participation, such as Social Security, unemployment benefits, Medicaid, and Medicare<br>• income and wealth redistribution | X |
| **3.1 Economic Systems**<br>**Explain how different economic systems, including free market, command, and mixed systems, coordinate and facilitate the exchange, production, distribution, and consumption of goods and services.** | | | | | |

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| Chapter 2-1<br>3.1.1 Give examples of and analyze the strengths and weaknesses of major economic systems (command, market and mixed), including their philosophical and historical foundations (e.g., Marx and *Das Kapital*, Adam Smith and the *Wealth of Nations*).<br>(*National Geography Standard 11, p. 206*) | C | | What are major economic systems and their philosophical and historical foundations? | Major economic systems include command, market, and mixed. Pure command and market systems no longer exist; all economies are mixed.<br>Command systems rely on government as the central economic planning authority to answer the basic economic questions: what to produce, how to produce, and for whom to produce? The modern philosophical foundation of the command economy is found in Karl Marx's *Das Kapital*.<br>Market systems rely on the interaction of buyers and sellers in the marketplace to answer the same basic economic questions. Adam Smith's *Wealth of Nations* (1776) is considered the genesis of the modern market system.<br>In the context of modern nation-states, traditional systems are currently confined to small local economic interactions. Traditional systems emphasize the cultural and historical mores of a society. Non-monetary interactions, a common characteristic of traditional economies, still exist worldwide, such as bartering for services. | X |
| Chapter 17-1, 17-2, 17-3<br>3.1.2 Assess how factors such as availability of natural resources, investments in human and physical capital, technical assistance, public attitudes and beliefs, property rights, and free trade can affect economic growth in developing nations.<br>*(National Geography Standards 1 and 4, pp. 184 and 190)* | S | CC | What economic factors influence economic growth in developing nations? | Economic growth in developing nations is dependent on access to land, labor, capital, and supportive government policies.<br>• Land: natural resources<br>• Labor: education, health and hygiene, technical assistance<br>• Physical capital: transportation, developed infrastructure,<br>• Supportive government policies: open trade policies, rule of law, clearly-defined property rights<br>Improvements in these areas will strengthen the economy. | X |

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| 16-2, 17-2<br>3.1.3 Evaluate the diverse impact of trade policies of the World Trade Organization, World Bank, or International Monetary Fund on developing economies of Africa, Central America, or Asia, and the developed economies of the United States and Western Europe.<br>*(National Geography Standard 11, p. 206)* | C | | How do the major international economic organizations impact both developed and developing nations in a global economy? | Major international economic organizations use a variety of tools in an attempt to promote economic growth within a developing country, including:<br>• grants and loans from the World Bank for infrastructure improvements<br>• advice and counsel from IMF to countries' central banks regarding their monetary policies<br>• oversight by the WTO of the maintenance of free trade and open markets<br>Current practices have generated debates on the effectiveness of institutions such as the IMF and the World Bank. Economic divides have been created between developed and developing countries. Developing nations want open access to the markets of the developed world, many of which are closed by protectionist policies.<br>These institutions are primarily funded by the governments of North America and Western Europe. The more the developing nations turn to these institutions, the more additional funding is needed.<br>The U.S. benefits from the IMF assisting the central banks of developing nations in a financial crisis; from the World Bank's efforts to raise the global standard of living; and from the WTO's efforts to maintain global open markets. | X |
| 3.1.4 Using current and historical data on real per capita GDP for the United States, and at least three other countries (e.g., Japan, Somalia, and South Korea) construct a relationship between real GDP and standard of living. *(National Geography Standard 11, p. 206)* | C | | What is the relationship between real per capita GDP and the standard of living? | Real per capita GDP is a measure of a country's standard of living for a set time period, adjusted for inflation. Higher levels of real per capita GDP are associated with higher standards of living as in Japan, Germany, and South Korea. Lower levels of real per capita GDP are associated with lower standards of living as in Haiti, Myanmar, and Somalia. | X |

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| Chapter 2-1<br>3.1.5 Using the three basic economic questions (e.g., what to produce, how to produce, and for whom to produce), compare and contrast a socialist (command) economy (such as North Korea or Cuba) with the capitalist as a mixed, free market system of the United States.<br>(*National Geography Standard 11, p. 206)* | S | M | How do the different economic systems respond to the three basic economic questions? | "What to produce?" is an allocation question. All economic systems must determine how to allocate productive resources in the form of land, labor, and capital.<br>"How to produce?" is an efficiency question. All economic systems must determine how goods and services will be produced.<br>"For whom?" is a public choice question. All economic systems must determine which goods and services will be available for public use and which for private use.<br><br>In a capitalist or market system, the interaction of buyers and sellers will determine which goods and services will be produced, how and for whom they will be produced.<br><br>In a socialist or command system, the central authority determines what, how, and for whom goods and services will be produced.<br><br>A mixed system incorporates elements of both command and market systems in determining answers to the three questions. Mixed economies with strong market components also include a public goods and services sector, just as command economies like Cuba include a private goods and services sector. | X |
| Chapter 17-3<br>3.1.6 Analyze the impact of transitional economies, such as in China and India, on the global economy in general and the American economy in particular.<br>*(National Geography Standard 11, p. 206* | S | Cc | What impact do transitional economies have on the global and U.S. economies? | Transitional economies are changing the global economic environment. Transitional economies have created increased demand and competition for productive resources and provided new markets for goods and services produced in the U.S. Transitional economies are also providing goods and services to the global marketplace, making the market more competitive for U.S. suppliers. | X |
| **3.2 Economic Interdependence – Trade**<br>**Describe how trades generate economic development and interdependence; and analyze the resulting challenges and benefits for individuals, producers, and government.** | | | | | |

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| Chapter 16-1, 18-1<br>3.2.1 Use the concepts of absolute and comparative advantage to explain why goods and services are produced in one nation or locale versus another.<br>*(National Geography Standard 11, p. 206)* | S | Cc | How does absolute and comparative advantage explain why certain goods or services are produced in a particular nation, region, or locale? | The decision to produce a particular good or service is dependent on the opportunity costs of available resources. Decisions are generally made to produce goods based on the opportunity cost required to produce another good.<br>Absolute advantage is the ability of a country to produce a particular good or service with fewer resources than another country. A country with an absolute advantage can produce more output per unit of input than another country.<br>Comparative advantage refers to the ability of a person or country to produce a particular good or service at a lower opportunity cost than another person or country.<br>Comparative advantage leads to gains from trade, including lower prices, higher quality goods or services, and more choices. Money from the sale of goods and services traded can be used to purchase goods and services that cannot be produced efficiently. Trade occurs when the opportunity cost to produce a good or service is higher when we produce it ourselves. Mutual trade benefits all parties. Oranges could be grown in Michigan, with the use of greenhouses, but would be very costly and wasteful of Michigan's limited resources. We can then say that Florida has a comparative advantage in oranges, while Michigan has a comparative advantage, because of climate and soil, in the growing of cherries. | X |
| Chapter 16-2, 16-3<br>3.2.2 Assess the impact of trade policies (i.e. tariffs, quotas, export subsidies, product standards and other barriers), monetary policy, exchange rates, and interest rates on domestic activity and world trade.<br>*(National Geography Standard 11, p. 206)* | S | M | What are the impacts of trade policies on domestic markets and world trade? | Domestic markets and world trade are impacted by a variety of policies, such as:<br>• Trade policies include tariffs, quotas, export subsidies, product standards, and other barriers. Trade barriers, in general, protect domestic producers at the expense of consumers. For example, U.S. tariffs on imported sugar have restricted trade in sugar and increased sugar prices for American consumers while protecting U.S. sugar and corn producers.<br>• Monetary policy refers to a nation's central bank's ability to control its money supply. Central banks control domestic interest rates. High interest rates result in a stronger currency that favors importers and hurts exporters. Low interest rates result in a weaker currency benefiting exporters at the expense of importers.<br>• Interest rate is the price of loanable funds in a financial market. High interest rates result in a strong dollar. Low interest rates result in a weak dollar.<br>• Exchange rate refers to the price of one nation's currency in terms of another nation's currency. A weak dollar makes U.S. exports cheaper, but imports more expensive. A strong dollar makes foreign goods cheaper to import, but U.S. goods more expensive to export. | X |

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| 16-3<br>3.2.3 Describe how interest rates in the United States impact the value of the dollar against other currencies (such as the Euro), and explain how exchange rates affect the value of goods and services of the United States in other markets. *(National Geography Standard 11, p. 206)* | C | | 1. How do U.S. interest rates impact the value of the dollar?<br>2. How do monetary exchange rates affect the value of U.S. produced goods and services in world markets? | 1. High interest rates result in a strong dollar. Low interest rates result in a weak dollar.<br>2. The laws of supply and demand dictate prices in the currency market; a high demand for dollars raises the interest rate. This leads to a strong dollar, making foreign goods cheaper to import, but U.S. goods more expensive to export. When too many dollars are supplied, interest rates decrease. This leads to a weak dollar, making U.S. exports cheaper, but U.S. imports more expensive. | X |
| Chapter 16-3<br>3.2.4 Analyze how the decisions made by a country's central bank (or the Federal Reserve) impact a nation's international trade.<br>(*National Geography Standard 13, p. 210*) | S | M | How do the actions of a country's central bank impact international trade? | Central banks control domestic interest rates. High interest rates result in a stronger currency benefiting importers at the expense of exporters. Low interest rates result in a weaker currency, benefiting exporters at the expense of importers. | X |
| Chapter 18-2<br>3.2.5 Analyze and describe how the global economy has changed the interaction of buyers and sellers, such as in the automobile industry.<br>(*National Geography Standard 13, p. 210*) | S | M | How has the global economy changed the behavior of buyers and sellers in a domestic market? | The global economy has created more choices and incentives for both producers and consumers. Producers have a greater incentive to be more productive. Consumers have a greater variety of high quality products available at lower prices. | X |
| **4.1 Decision Making**<br>**Describe and demonstrate how the economic forces of scarcity and opportunity costs impact individual and household choices.** | | | | | |
| Chapter 1-3<br><br>4.1.1 Apply concepts of scarcity and opportunity costs to personal financial decision making. | C | | Explain the role of scarcity, choice, and opportunity costs on the decisions of individuals? | Every decision made by an individual is made because we live in a world of scarcity (i.e., we all have unlimited wants, but limited resources). As a result, we must make choices. Every choice involves refusing something else, incurring an opportunity cost. Financial decisions are no different. Decisions to spend, save, invest, or donate each have opportunity costs of their own. | X |
| Chapter 1-3<br><br>4.1.2 Use examples and case studies to explain and evaluate the impact of marginal benefit and marginal cost of an activity on choices and decisions. | C | | What impact does marginal benefit and marginal cost decision-making have on the behavior of individuals? | Like any decision, financial decisions are made at the margin. The expected costs and benefits of consuming the next unit of a good or service are considered prior to the decision. As long as marginal benefits exceed marginal costs, an action should be continued. | X |
| 4.1.3 Develop a personal finance strategy for earning, spending, saving and investing resources. | C | | How do you develop a earning, spending, saving, and investing plan? | A good financial strategy begins with goals (short and long term), and a listing of income and expenditures, including savings and investing categories. | X |

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| 4.1.4 Evaluate key components of personal finance including, money management, saving and investment, spending and credit, income, mortgages, retirement, investing (e.g., 401K, IRAs), and insurance. | C | | What are the key components of personal finance? | Key components of personal finance include an understanding of money, money management, interest (including compounding) plus the difference between saving and investing. Proper use of credit and an understanding of the need for insurance are other key components. | X |
| 4.1.5 Use a decision-making model (e.g., stating a problem, listing alternatives, establishing criteria, weighing options, making the decision, and evaluating the result) to evaluate the different aspects of personal finance including careers, savings and investing tools, and different forms of income generation. | C | | How can an economic decision-making model be utilized to make personal finance decisions? | Sound economic decision making should include: identifying the problem, listing alternatives available, identifying pertinent criteria, evaluating each alternative according to the criteria, and then making the best decision from among the alternatives. | X |
| 4.1.6 Develop a risk management plan that uses a combination of avoidance, reduction, retention, and transfer (insurance). | C | | What are the characteristics of a sound risk management plan? | Things unexpectedly happen, and risk management plans should consider all known risks and provide a way to deal with the uncertainties in life. A good plan should include steps to avoid, reduce, retain, and/or transfer risk with various forms of insurance. | X |

*C = Assessed at classroom and district levels.
S = Assessed at classroom, district, and state levels; may be assessed on MME (23 CE; 8 items)
**CC = State assessed; Common Core; Common to all forms (4 CE; 4 items)
Cc = State assessed; Common; Matrixed by form every year (3 CE; 1 item)
M = State assessed; Matrixed by form over two or three years (16 CE; 3 items)
***All Sample responses were reviewed by a task force of educators/experts from across the state.

9-1, 9-2, 10-1, 10-2, **12-1,12-3,** 13, 14-2, 14-3,16,17, 18-1, 18-2