**National Content Standards in Economics**

Depending on the depth of the discussion, some of the concepts discussed in these lessons will refer directly to the National Content Standards in Economics. The economic terminology is italicized within the document. For some selected understandings, it is explained. But for others that may occur in the debriefing, the teacher may want to refer to these standards or have the students refer to the standards. This will help to develop the vocabulary and understanding necessary to communicate and develop ideas.

**Standard 1: Scarcity**

**Students will understand that:**
Productive resources are limited. Therefore, people cannot have all the goods and services they want; as a result, they must choose some things and give up others.

* People make choices because they can't have everything they want.
* Economic wants are desires that can be satisfied by consuming a good, service, or leisure activity.
* Goods are objects that can satisfy people's wants.
* Services are actions that can satisfy people's wants.
* People's choices about what goods and services to buy and consume determine how resources will be used.
* Whenever a choice is made, something is given up.
* The opportunity cost of a choice is the value of the best alternative given up.
* People whose wants are satisfied by using goods and services are called consumers.
* Productive resources are the natural resources, human resources, and capital goods available to make goods and services.
* Natural resources, such as land, are "gifts of nature;" they are present without human intervention.
* Human resources are the quantity and quality of human effort directed toward producing goods and services.
* Capital goods are goods that are produced and used to make other goods and services.
* Human capital refers to the quality of labor resources, which can be improved through investments in education, training, and health.
* Entrepreneurs are people who organize other productive resources to make goods and services.
* People who make goods and provide services are called producers.
* Scarcity is the condition of not being able to have all of the goods and services that one wants. It exists because human wants for goods and services exceed the quantity of goods and services that can be produced using all available resources.
* Like individuals, governments and societies experience scarcity because human wants exceed what can be made from all available resources.
* Choices involve trading off the expected value of one opportunity against the expected value of its best alternative.
* The choices people make have both present and future consequences.
* The evaluation of choices and opportunity costs is subjective; such evaluations differ across individuals and societies.
* Choices made by individuals, firms, or government officials often have long run unintended consequences that can partially or entirely offset the initial effects of the decision.

**Standard 2: Decision Making**

**Students will understand that:**
Effective decision making requires comparing the additional costs of alternatives with the additional benefits. Many choices involve doing a little more or a little less of something: few choices are "all or nothing" decisions.

* Few choices are all-or-nothing decisions; they usually involve getting a little more of one thing by giving up a little of something else.
* A cost is what you give up when you decide to do something.
* A benefit is what satisfies your wants.
* To determine the best level of consumption of a product, people must compare the additional benefits with the additional costs of consuming a little more or a little less.
* To determine the optimal level of a public policy program, voters and government officials must compare the marginal benefits and marginal costs of providing a little more of a little less of the program's services.

**Standard 3: Allocation**

**Students will understand that:**
Different methods can be used to allocate goods and services. People acting individually or collectively must choose which methods to use to allocate different kinds of goods and services.

* No method of distributing goods and services can satisfy all wants.
* There are different ways to distribute goods and services (by prices, command, majority rule, contests, force, first-come/first-served, sharing equally, lottery, personal characteristics, and others), and there are advantages and disadvantages to each.
* Scarcity requires the use of some distribution method, whether the method is selected explicitly or not.
* *People in all economies must address three questions: What goods and services will be produced? How will these goods and services be produced? Who will consume them?*
* National economies vary in the extent to which they rely on government directives (central planning) and signals from private markets (prices) to allocate scarce goods, services, and productive resources.
* As consumers, people use resources in different ways to satisfy different wants. Productive resources can be used in different ways to produce different goods and services.
* *Comparing the benefits and costs of different allocation methods in order to choose the method that is most appropriate for some specific problem can result in more effective allocations and a more effective overall allocation system*.

**Standard 4: Incentives**

**Students will understand that:**
People usually respond predictably to positive and negative incentives.

* Rewards are positive incentives that make people better off.
* Penalties are negative incentives that make people worse off.
* Both positive and negative incentives affect people's choices and behavior.
* People's views of rewards and penalties differ because people have different values. Therefore, an incentive can influence different individuals in different ways.
* Acting as consumers, producers, workers, savers, investors, and citizens, people respond to incentives in order to allocate their scarce resources in ways that provide the highest possible returns to them.
* Small and large firms, labor unions and educational, and other not-for-profit organizations have different goals and face different rules and constraints. These goals, rules, and constraints influence the benefits and costs of those who work with or for those organizations, and, therefore, their behavior.

**Standard 5: Trade**

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

* Exchange is trading goods and services with people for other goods and services or for money.
* The oldest form of exchange is barter the direct trading of goods and services between people.

**Standard 6: Specialization**

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

* Economic specialization occurs when people concentrate their production on fewer kinds of goods and services than they consume.
* Specialization and division of labor usually increase the productivity of workers.
* Greater specialization leads to increasing interdependence among producers and consumers.
* As a result of growing international economic interdependence, economic conditions and policies in one nation increasingly affect economic conditions and policies in other nations.
* Two factors that prompt international trade are international differences in the availability of productive resources and differences in relative prices.

**Standard 7: Markets and Prices**

**Students will understand that:**
A market exists when buyers and sellers interact. This interaction determines market prices and thereby allocates scarce goods and services.

* A price is what people pay when they buy a good or service, and what they receive when they sell a good or service.
* A market exists whenever buyers and sellers exchange goods and services.
* Most people produce and consume. As producers they make goods and services; as consumers they use goods and services.
* Market prices are determined through the buying and selling decisions made by buyers and sellers.
* Relative prices refers to the price of one good or service compared to the prices of other goods and services. Relative prices are the basic measures of the relative scarcity of products when prices are set by market forces (supply and demand).
* An exchange rate is the price of one nation's currency in terms of another nation’s currency. Like other prices, exchange rates are determined by the forces of supply and demand. Foreign exchange markets allocate international currencies.

**Standard 13: Income**

**Students will understand that:**
Income for most people is determined by the market value of the productive resources they sell. What workers earn primarily depends on the market value of what they produce.

* Labor is a human resource that is used to produce goods and services.
* People can earn income by exchanging their human resources (physical or mental work) for wages or salaries.
* To earn income people sell productive resources. These include their labor, capital, natural resources, and entrepreneurial talents.
* More productive workers are likely to be of greater value to employers and earn higher wages than less productive workers.
* People's incomes, in part, reflect choices they have made about education, training, skill development, and careers. People with few skills are more likely to be poor.
* Changes in the structure of the economy, the level of gross domestic product, technology, government policies, and discrimination can influence personal income.
* Changes in the prices for productive resources affect the incomes of the owners of those productive resources and the combination of those resources used by firms.

**Standard 14: Entrepreneurship**

**Students will understand that:**
Entrepreneurs take on the calculated risk of starting new businesses, either by embarking on new ventures similar to existing ones or by introducing new innovations. Entrepreneurial innovation is an important source of economic growth.

* Entrepreneurs are individuals who are willing to take risks, to develop new products, and start new businesses. They recognize opportunities, like working for themselves, and accept challenges.
* Entrepreneurs accept the risks in organizing resources to produce goods and services because they hope to earn profits.
* Entrepreneurs and other sellers earn profits when buyers purchase the product they sell at prices high enough to cover the costs of production.
* In addition to profits, entrepreneurs respond to other incentives including the opportunity to be their own boss, the chance to achieve recognition, and the satisfaction of creating new products or improving existing ones. In addition to financial losses, other disincentives to which entrepreneurs respond include the responsibility, long hours, and stress of running a business.
* Entrepreneurial decisions affect job opportunities for other workers.

**Standard 15: Economic Growth**

**Students will understand that:**
Investment in factories, machinery, new technology, and in the health, education, and training of people stimulates economic growth and can raise future standards of living.

* When workers learn and practice new skills they are improving their human capital.
* Workers can improve their productivity by improving their human capital.
* Workers can improve their productivity by using physical capital such as tools and machinery.
* Standards of living increase as the productivity of labor improves.
* Increases in productivity result from advances in technology and other sources.
* Economic growth is a sustained rise in a nation's production of goods and services. It results from investments in human and physical capital, research and development, and technological change, and from improved institutional arrangements and incentives.
* Historically, economic growth has been the primary vehicle for alleviating poverty and raising standards of living.
* Investments in physical and or human capital can increase productivity, but such investments entail opportunity costs and economic risks.
* The rate of productivity increase in an economy is strongly affected by the incentives that reward successful innovation and investments (in research and development, and in physical and human capital).

**Standard 16: Role of Government and Market Failure**

**Students will understand that:**
There is an economic role for government in a market economy whenever the benefits of a government policy outweigh its costs. Governments often provide for national defense, address environmental concerns, define and protect property rights, and attempt to make markets more competitive. Most government policies also have direct or indirect effects on people’s incomes.

* Public goods and services provide benefits to more than one person at a time, and their use can not be restricted to only those people who have paid to use them.
* Markets do not allocate resources effectively if: (1) property rights are not clearly defined or enforced, (2) externalities (spillover effects) affecting large numbers of people are associated with the production or consumption of a product; or (3) markets are not competitive.
* An important role for government in the economy is to define, establish, and enforce property rights. A property right to a good or service includes the right to exclude others from using the good or service and the right to transfer the ownership or use of the resource to others.
* Property rights provide incentives for the owners of resources to weigh the value of present uses against the value of conserving the resources for future use.
* Externalities exist when some of the costs and benefits associated with production and consumption fall on someone other than the producers or consumers of the product.
* Governments often redistribute income directly when individuals or interest groups are not satisfied with the income distribution resulting from markets; governments also redistribute income indirectly as side-effects of other government actions that affect prices or output levels for various goods and services.
* Governments provide an alternative method to markets for supplying goods and services when it appears that the benefits to society of doing so outweigh the costs to society. Not all individuals will bear the same costs or share the same benefits of those policies.

**Arkansas Economics Frameworks**

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| **Dimension 1 – Questions** | **Dimension 3 – Sources and Evidence** | **Dimension 4 – Communicating Ideas** |
| 1. Construct compelling questions that promote inquiry around key ideas and issues | 4. Gather relevant information from multiple perspectives and a variety of sources; evaluate the credibility of the source by determining its relevance and intended use | 6. Construct arguments and explanations that convey ideas and perspectives to appropriate audiences using print, oral, and digital technologies |
| 2. Develop supporting questions that contribute to inquiry: identifying facts, concepts, and interpretations  | 5. Use evidence from multiple sources to answer compelling and supporting questions by developing arguments with claims and counterclaims and providing explanations | 7. Critique the credibility, relevance, and use of evidence in arguments and explanations proposed by self and others |
| 3. Answer compelling and supporting questions using appropriate and available sources that consider multiple points of view |  | 8. Use disciplinary lenses within the social sciences to understand local, regional, and global problems, proposing solutions or assessing strategies and options for action while applying deliberative processes |
| **Engage in disciplinary thinking across the social sciences in Grades K-12** |

**Strand Content Standard**

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| **Economic Decision Making** |  |
|  | 1. Students will make decisions after considering the marginal costs and marginal benefits of alternatives. |
| ***Exchange and Markets*** |  |
|  | 2. Students will evaluate different allocation methods.  |
| 3. Students will investigate the role of producers, consumers, and government in a market economy. |
| 4. Students will evaluate the degree of competition among buyers and among sellers in markets.  |
| ***National Economy*** |  |
|  | 5. Students will analyze the current and future state of the economy using economic indicators. |
| 6. Students will analyze monetary and fiscal policies for a variety of economic conditions. |
| **Global Economy** |  |
|  | 7. Students will analyze ways in which trade leads to increased economic interdependence. |
| **Personal Financial Management** |  |
|  | 8. Students will analyze factors affecting income, wealth, and financial risk. |
| 9. Students will analyze the role of credit in personal finance. |

**Strand: Economic Decision Making**

**Content Standard 1: Students will make decisions after considering the marginal costs and marginal benefits of alternatives.**

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|  |  | CCSS ELA-Literacy Alignment | C3 Alignment |
| EDM.1.E.1 | Evaluate the roles of *scarcity*, incentives, trade-offs, and *opportunity cost* in decision making (e.g., *PACED decision making model*, *cost/benefit analysis*) | CCRA.R.1, 2, 3, 4CCRA.W.2CCRA.SL.1, 4CCRA.L.6 | D1.1.9-12D2.Eco.1.9-12D3.1.9-12 |

**Strand: Exchange and Markets**

 **Content Standard 2: Students will evaluate different allocation methods.**

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|  |  | CCSS ELA-Literacy Alignment | C3 Alignment |
| EM.2.E.1 | Identify various *allocation methods* used in different circumstances, countries, and economies (e.g., price, auction, lottery, *fiat*) | CCRA.R.1, 2, 3, 4, 10CCRA.W.8, 9CCRA.SL.1, 4CCRA.L.6 | D1.2.9-12D2.Eco.3.9-12D3.1.9-12 |

**Strand: National Economy**

 **Content Standard 5: Students will analyze the current and future state of the economy using economic indicators.**

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|  |  | CCSS ELA-Literacy Alignment | C3 Alignment |
| NE.5.E.2 | Evaluate the impact of advancements in technology, investments in capital goods, and investments in human capital on economic growth and standards of living  | CCRA.R.1, 2, 3, 7, 8, 9, 10CCRA.W.1, 8, 9CCRA.SL.1, 2, 4 | D1.3.9-12D2.Eco.13.9-12D3.1, 2, 3, 4.9-12 |

**Strand: Global Economy**

**Content Standard 7: Students will analyze ways in which trade leads to increased economic interdependence.**

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|  |  | CCSS ELA-Literacy Alignment | C3 Alignment |
| GE.7.E.2 | Explain ways in which current trends in *globalization* affect economic growth, labor markets, rights of individuals, the environment, technological advancement, and resource and income distribution in different nations | CCRA.R.1, 2, 3, 7, 8, 9, 10CCRA.W.2, 7CCRA.SL.1, 4, 5CCRA.L.6 | D1.1, 2, 3.9-12D2.Eco.14, 15.9-12D3.1.9-12 |
| GE.7.E.3 | Research the impact of international and national economic and political policies on global trade using a variety of sources from multiple perspectives | CCRA.R.1, 2, 3, 7, 8, 9, 10CCRA.W.2, 7, 9CCRA.SL.1, 4CCRA.L.6 | D1.2.9-12D2.Eco.15.9-12D3.1.9-12 |