Economics Test Out

What to bring: Pencils, student ID

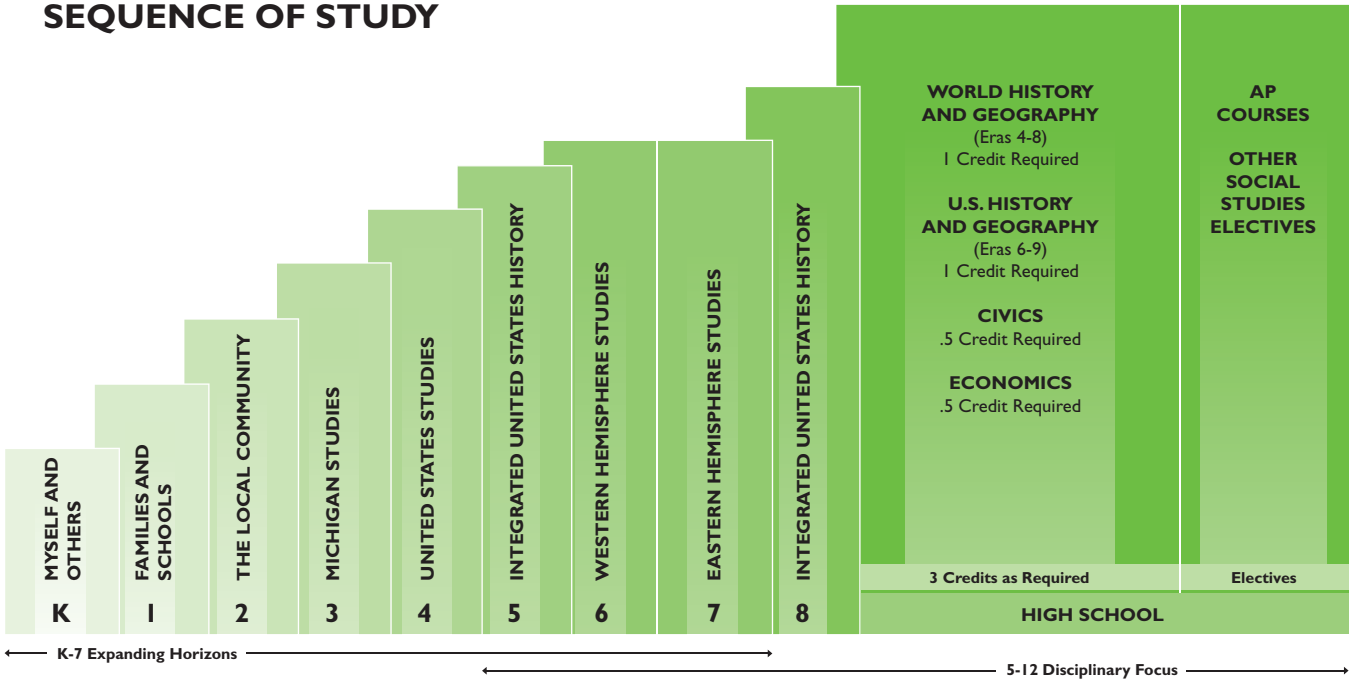
Format: Multiple Choice and Essay

Students should focus on the standards identified in the Michigan Merit Curriculum. The test will require students to identify and apply the terms and concepts in the MMC. These details are provided in the following pages.

Michigan High School Social Studies

ECONOMICS

SEQUENCE OF STUDY



v 10/07

MICHIGAN Department of Education

ECONOMICS

Understanding economics – what some people call "economic literacy" – is becoming essential for citizens in our national and increasingly interconnected world economy. Increasingly, productive members of society must be able to identify, analyze, and evaluate the causes and consequences of individual economic decisions and public policy including issues raised by constraints imposed by scarcity, how economies and markets work, and the benefits and costs of economic interaction and interdependence. Such literacy includes analysis, reasoning, problem solving, and decision making that helps people function as consumers, producers, savers, investors, and responsible citizens.

Students who meet the expectations will understand how economies function and how to apply the concepts and principles of economics to their lives as individuals and as citizens. Understanding and applying these concepts and principles should help students make sense of daily events and enable them to analyze, investigate and develop reasoned thinking about economic challenges and public policies. To cite the "Goals 2000: Educate America Act" of 1994, the study of economics (among other subjects) should ensure that students learn to "use their minds well, so they may be prepared for responsible citizenship, further learning, and productive employment in our Nation's modern economy."

The economics content is necessary for the understanding and the analysis of a wide variety of applications, including those involving individual and household choices, personal finance issues, business and entrepreneurial decisions, and public policy. Students analyze and study economic concepts and principles in three contextual areas: individual and household context, a business context, and a government or public context and focused around four content areas: The Market Economy; The National Economy; the International Economy; and Personal Finance.

Content in The Market Economy includes much of what is traditionally described as microeconomics. The core content focuses on the importance of scarcity and limited resources, the roles of economic institutions, such as legal systems, corporations and labor unions in the market economy; the influence on prices and supplies of the interaction of buyers and sellers; and trade-offs and incentives in people's behavior.

Content in the National Economy includes much of what is traditionally described as macroeconomics. The National Economy content area includes the concepts, terminology, and data used to identify and describe inflation, unemployment, output, and growth; the factors that cause changes in those conditions; the role of money and interest rates in an economy; and the mechanics and the appropriate uses of Federal Reserve monetary policies and federal government fiscal policies.

Content in International Economy includes the reasons for individuals and businesses to specialize and trade; the rationale for specialization and trade across international borders; and the comparison of the benefits and costs of that specialization and resulting trade for consumers, producers, and governments.

Content in Personal Finance includes the role of economic concepts in understanding personal finance issues and in creating personal finance strategies.

Using the Economics HSCE: Things to Remember

There are a number of important considerations for teachers to keep in mind as they use these Economics expectations to plan instruction. It is important to remember that this document:

Uses economics thinking – All of the expectations require students to think – analyze, synthesize, evaluate, compare, contrast, argue – using economics habits of mind. In meeting the expectations, students will use such thinking to analyze and interpret information in developing their understanding. These expectations do not intend to stress memory over meaning, coverage over understanding. While knowledge of names and definitions is essential for economics study, high quality teaching and learning demands a great deal more than just the mastery of discrete collections of facts or terms.

Requires active, economic inquiry – In using economics concepts and habits of mind, students should engage in active, disciplined inquiry, analysis and argumentation. Learning involves purposeful investigations within a community that has established goals, standards, criteria, and procedures for study. It entails learning how to read, write, and use economics to understand and participate in the world around us. This calls upon students to frame important economic problems and questions; to locate and analyze appropriate evidence and data; and to apply economic concepts and principles to build reasoned and evidenced-based interpretations, arguments, or decisions. In short, economics should provide Michigan students with the kind of reason and informed decision making that will enable them to function effectively both in their personal lives and as citizens and participants in an increasingly connected world economy.

Represents Content Expectations and not Pedagogical Organization – This document lists content expectations for students. It does not establish suggested organization for teaching or learning this content. For example, this document is not presenting expectations in a suggested instructional sequence. The expectations do not represent single lessons, a day's worth of instruction or even a unit. Michigan teachers and curriculum coordinators can combine expectations to structure meaningful learning experiences for their students. For example, a teacher could use a compelling economic issue or problem to organize weeks of study, while coherently employing many content expectations.

Differentiates between required and suggested (e.g.) content – The expectations specify teachable content in two different ways. On numerous occasions, the expectations will offer examples for teachers to help clarify teachable content. Typically, these examples or suggestions appear in parentheses. The document always identifies such optional content with an "e.g." or "for example." These are simply suggestions and teachable options. Teachers may use other examples to meet the expectations. In short, these examples are not required content.

In other places, the expectations identify specific content that students should study. This content is never preceded by "e.g." or "for example." Unlike the optional examples, a statewide assessment might assess the required content.

Economics Content Expectations

The Market Economy
- relevance of limited resources
- how individuals and institutions make and evaluate decisions
- the role of incentives
- how buyers and sellers interact to create markets
- how these markets allocate resources
- the economic role of government in a market economy
- evaluation of short-run and long-run decisions
- the comparison of benefits and costs when making a decision
- concepts – scarcity, choice, opportunity costs, supply and demand, profit, competition, incentives, individual incomes

The National Economy
- the data that describe the overall conditions in the U.S. economy
- the factors that cause changes in those conditions
- the role of money and interest rates in an economy
- the appropriate policy alternatives
- mechanics and appropriate use of Federal Reserve monetary and federal government fiscal policies
- how economies use different systems of allocating goods and services and can compare the benefits and the costs of different methods
- the economic role of government as a provider of goods and services in the national economy
- concepts – unemployment, inflation, output, economic growth, money, and gross domestic product (GDP), interest rates

International Economy
- reasons for individuals and businesses to specialize and trade, and the rationale for specialization and trade across international borders
- an ability to compare the benefits and costs of that specialization and resulting trade for consumers, producers, and governments
- an understanding that this trade brings additional complications
- benefit and cost comparison of policies that alter trade barriers between nations
- the processes and consequences of exchange rate determination
- concepts – voluntary exchange, specialization, interdependence, imports and exports, and barriers to trade (tariffs, quotas)

**adapted from Economics Framework for the 2006 NAEP*

E1 - The Market Economy
- Individual, Business, and Government Choices
- Competitive Markets
- Prices, Supply, and Demand
- Role of Government

E2 - The National Economy
- Understanding National Markets
- Role of Government in the United States Economy

E3 - International Economy
- Economic Systems
- Economic Interdependence - Trade

E4 - Personal Finance
- Decision Making

Economics Knowledge
- Understand the fundamental constraints imposed by limited resources, the resulting choices people have to make, and the trade-offs they face
- Understand how economies and markets work and how people function within them
- Understand the benefits and costs of economic interaction and interdependence among people and nations.

Intellectual Skills
- economic reasoning
- problem solving
- decision making
- analyzing real-life situations

Components of Economics Literacy
- The ability to identify, analyze, and evaluate the consequences of individual decisions and public policy.

GENERAL SOCIAL SCIENCE KNOWLEDGE, PROCESSES, AND SKILLS
(listed on page 67)

K1 General Knowledge
- P1 Reading and Communication
- P2 Inquiry, Research, and Analysis
- P3 Public Discourse and Decision Making
- P4 Citizen Involvement

Economics Secondary Content Statement Outline

E1 – THE MARKET ECONOMY
- 1.1 Individual, Business, and Government Choices
- 1.2 Competitive Markets
- 1.3 Prices, Supply, and Demand
- 1.4 Role of Government

E2 – THE NATIONAL ECONOMY
- 2.1 Understanding National Markets
- 2.2 Role of Government in the United States Economy

E3 – INTERNATIONAL ECONOMY
- 3.1 Economic Systems
- 3.2 Economic Interdependence – Trade

E4 – PERSONAL FINANCE
- 4.1 Decision Making

Alignment of National Economics Concepts to the HSCE

E1 The Market Economy

1.1 Individual, Business, and Government Choices
- NS 1 Choices and Costs
- NS 2 Effective Decision Making
- NS 14 Entrepreneurs
- NS 17 Government Decision Making

1.2 Competitive Markets
- NS 4 Incentives
- NS 7 Markets
- NS 9 Competition

1.3 Prices, Supply, and Demand
- NS 8 Prices
- NS 14 Entrepreneurs

1.4 Role of Government
- NS 10 Role of Economic Institutions
- NS 15 Investment, Productivity, and Growth
- NS 16 Economic Role for Government
- NS 17 Government Decision Making

E2 The National Economy

2.1 Understanding National Markets
- NS 3 Resource Allocation
- NS 12 Interest Rates
- NS 13 Income
- NS 15 Investment, Productivity, and Growth
- NS 19 Unemployment and Inflation

2.2 Role of Government in the United States Economy
- NS 11 Money
- NS 16 Economic Role for Government
- NS 17 Government Decision Making
- NS 18 Gross Domestic Product
- NS 20 Fiscal and Monetary Policies

E3 International Economy

3.1 Economic Systems
- NS 16 Economic Role for Government
- NS 17 Government Decision Making

3.2 Economic Interdependence – Trade
- NS 5 Voluntary Exchange
- NS 6 Benefits of Trade
- NS 7 Markets
- NS 15 Investment, Productivity, and Growth

General Social Studies Knowledge, Processes, and Skills

General Social Science Knowledge – embedded in economics standards and expectations

K1.1 Know the defining characteristics of the discipline of economics.
K1.2 Know that each discipline is subject to criticisms and limitations; be aware of the primary criticisms and limitations of economics.
K1.3 Understand and analyze economic relationships, patterns, and trends.
K1.4 Understand economic perspectives.
K1.5 Understand the diversity of human beings and human cultures.
K1.6 Analyze events and circumstances from the vantage point of others.
K1.7 Understand social problems, social structures, institutions, class, groups, and interaction.
K1.8 Apply social studies concepts to better understand major current local, national, and world events, issues, and problems.
K1.9 Integrate concepts from at least two different social studies disciplines.
K1.10 Understand significant concepts, generalizations, principles, and theories of economics.

Social Studies Procedures and Skills – embedded in economics standards and expectations

P1 Reading and Communication – *read and communicate effectively.*

P1.1 Use close and critical reading strategies to read and analyze complex texts pertaining to social science; attend to nuance, make connections to prior knowledge, draw inferences, and determine main idea and supporting details.
P1.2 Analyze point of view, context, and bias to interpret primary and secondary source documents.
P1.3 Understand that diversity of interpretation arises from frame of reference.
P1.4 Communicate clearly and coherently in writing, speaking, and visually expressing ideas pertaining to social science topics, acknowledging audience and purpose.
P1.5 Present a coherent thesis when making an argument, support with evidence, articulate and answer possible objections, and present a concise, clear closing.

P2 Inquiry, Research, and Analysis – *critically examine evidence, thoughtfully consider conflicting claims, and carefully weigh facts and hypotheses.*

P2.1 Understand the scientific method of inquiry to investigate social scientific and historical problems.
P2.2 Read and interpret data in tables and graphs.
P2.3 Know how to find and organize information from a variety of sources; analyze, interpret, support interpretations with evidence critically evaluate, and present the information orally and in writing; report investigation results effectively.
P2.4 Use multiple perspectives and resources to identify and analyze issues appropriate to the social studies discipline being studied.
P2.5 Use deductive and inductive problem-solving skills as appropriate to the problem being studied.

P3 Public Discourse and Decision Making *– engage in reasoned and informed decision making that should characterize each citizen's participation in American society.*

P3.1 Clearly state an issue as a question of public policy, trace the origins of an issue, analyze various perspectives, and generate and evaluate possible alternative resolutions.
P3.2 Deeply examine policy issues in group discussions and debates (clarify issues, consider opposing views, apply democratic values or constitutional principles, anticipate consequences) to make reasoned and informed decisions.
P3.3 Write persuasive/argumentative essays expressing and justifying decisions on public policy issues.

P4 Citizen Involvement

P4.1 Act out of respect for the rule of law and hold others accountable to the same standard.
P4.2 Demonstrate knowledge of how, when, and where individuals would plan and conduct activities intended to advance views on matters of public policy, report the results, and evaluate effectiveness.
P4.3 Plan and conduct activities intended to advance views on matters of public policy, report the results, and evaluate effectiveness.

ECONOMICS

E1 THE MARKET ECONOMY

1.1 Individual, Business, and Government Choices

Explain and demonstrate how economic organizations confront scarcity and market forces when organizing, producing, using, and allocating resources to supply the marketplace.

1.1.1 **Scarcity, Choice, Opportunity Costs, and Comparative Advantage** – 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.

1.1.2 **Entrepreneurship** – Identify the risks, returns and other characteristics of entrepreneurship that bear on its attractiveness as a career.

1.2 Competitive Markets

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 **Business Structures** – Compare and contrast the functions and constraints facing economic institutions including small and large businesses, labor unions, banks, and households.

1.2.2 **Price in the Market** – Analyze how prices send signals and provide incentives to buyers and sellers in a competitive market.

1.2.3 **Investment, Productivity and Growth** – 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.

1.3 Prices, Supply, and Demand

Compare how supply, demand, price, equilibrium, elasticity, and incentives affect the workings of a market.

1.3.1 **Law of Supply** – 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.

1.3.2 **Law of Demand** – 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.

1.3.3 **Price, Equilibrium, Elasticity, and Incentives** – 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.

1.4 Role of Government in the Market

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.

1.4.1 **Public Policy and the Market** – 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.

1.4.2 **Government and Consumers** – 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.

1.4.3 **Government Revenue and Services** – 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).

1.4.4 **Functions of Government** – 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.

1.4.5 **Economic Incentives and Government** – 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.

E2 THE NATIONAL ECONOMY OF THE UNITES STATES OF AMERICA

2.1 Understanding National Markets

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.

2.1.1 **Income** – Describe how individuals and businesses earn income by selling productive resources.

2.1.2 **Circular Flow and the National Economy** – Using the concept of circular flow, analyze the roles of and the relationships between households, business firms, financial institutions, and government and non-government agencies in the economy of the United States.

2.1.3 **Financial Institutions and Money Supply** – 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.

2.1.4 **Money Supply, Inflation, and Recession** – Explain the relationships between money supply, inflation, and recessions.

2.1.5 **Gross Domestic Product (GDP) and Economic Growth** – Use GDP data to measure the rate of economic growth in the United States and identify factors that have contributed to this economic growth

2.1.6 **Unemployment** – Analyze the character of different types of unemployment including frictional, structural, and cyclical.

2.1.7 **Economic Indicators** – 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.

2.1.8 **Relationship Between Expenditures and Revenue (Circular Flow)** – Using the circular flow model, 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.

2.1.9 **American Economy in the World –** 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)*

2.2 Role of Government in the United States Economy

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.

2.2.1 **Federal Government and Macroeconomic Goals** – Identify the three macroeconomic goals of an economic system (stable prices, low unemployment, and economic growth).

2.2.2. **Macroeconomic Policy Alternatives** – 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.

2.2.3 **Fiscal Policy and its Consequences** – 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.

2.2.4 **Federal Reserve and Monetary Policy** – 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.

2.2.5 **Government Revenue and Services** – 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).

E3 THE INTERNATIONAL ECONOMY

3.1 Economic Systems

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.

3.1.1 **Major Economic Systems** – 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 the Communist Manifesto, Adam Smith and the Wealth of Nations). *(National Geography Standard 11, p. 206)*

3.1.2 **Developing Nations** – 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. *(National Geography Standards 1 and 4, pp. 184 and 190)*

3.1.3 **International Organizations and the World Economy** – 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. *(National Geography Standard 11, p. 206)*

3.1.4 **GDP and Standard of Living** – 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)*

3.1.5 **Comparing Economic Systems** – 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. *(National Geography Standard 11, p. 206)*

3.1.6 **Impact of Transitional Economies** – Analyze the impact of transitional economies, such as in China and India, on the global economy in general and the American economy in particular. *(National Geography Standard 11, p. 206)*

3.2 Economic Interdependence – Trade

Describe how trade generates economic development and interdependence and analyze the resulting challenges and benefits for individuals, producers, and government.

3.2.1 **Absolute and Comparative Advantage** – Use the concepts of absolute and comparative advantage to explain why goods and services are produced in one nation or locale versus another. *(National Geography Standard 11, p. 206)*

3.2.2 **Domestic Activity and World Trade** – 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. *(National Geography Standard 11, p. 206)*

3.2.3 **Exchange Rates and the World Trade** – 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)*

3.2.4 **Monetary Policy and International Trade** – Analyze how the decisions made by a country's central bank (or the Federal Reserve) impact a nation's international trade. *(National Geography Standard 13, p. 210)*

3.2.5 **The Global Economy and the Marketplace** – Analyze and describe how the global economy has changed the interaction of buyers and sellers, such as in the automobile industry. *(National Geography Standard 13, p. 210)*

E4 PERSONAL FINANCE[1]

4.1 Decision Making

Describe and demonstrate how the economic forces of scarcity and opportunity costs impact individual and household choices.

4.1.1 **Scarcity and Opportunity Costs** – Apply concepts of scarcity and opportunity costs to personal financial decision making.

4.1.2 **Marginal Benefit and Cost** – Use examples and case studies to explain and evaluate the impact of marginal benefit and marginal cost of an activity on choices and decisions.

4.1.3 **Personal Finance Strategy** – Develop a personal finance strategy for earning, spending, saving and investing resources.

4.1.4 **Key Components of Personal Finance** – 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.

4.1.5 **Personal Decisions** – 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.

4.1.6 **Risk Management Plan** – Develop a risk management plan that uses a combination of avoidance, reduction, retention, and transfer (insurance).

[1]The Personal Finance expectations should be included in high school Economics and other elementary, middle, and high school courses.