Indiana Social Studies

Pschology

Students explain that because resources are limited, people must make choices, understanding the role that supply, demand, prices, and profits play in a market economy. Key elements of the course include study of scarcity and economic reasoning, supply and demand, market structures, the role of government, national economic performance, the role of financial institutions, economic stabilization, and trade.

1 Scarcity and Economic Reasoning E.1

1. Define and identify each of the productive resources (i.e., natural, human, capital) and explain why each is necessary for the production of goods and services. (E) E.1.1
2. Identify incentives and explain how they influence economic behavior and decision-making. E.1.2
3. Explain that voluntary exchange occurs when households, businesses, and governments have the freedom to make self-interested market choices. E.1.3
4. Define scarcity, and explain how choices incur opportunity costs, utility, and trade-offs. (E) E.1.4
5. Use a production possibilities curve to explain the concepts of choice, scarcity, opportunity cost, trade offs, efficiency, productivity, and growth. E.1.5
6. Describe and compare the various economic systems (i.e., traditional, market, command, mixed, feudal, mercantile) and explain their strengths and weaknesses. (E) E.1.6
7. Describe how clearly defined and enforced property rights are essential to a market economy. E.1.7
8. Illustrate how investment in physical and human capital can raise productivity and future standards of living. (E) E.1.8
9. Diagram and explain the circular flow of a market economy. E.1.9

2 Supply and Demand E.2

1. Define supply and demand, and explain the causes of the Law of Supply and the Law of Demand. (E) E.2.1
2. Provide examples of how consumers ultimately determine what is produced in a market economy. E.2.2
3. Provide examples of how supply and demand determine equilibrium price and quantity. E.2.3
4. Identify factors that cause changes in market supply and demand and how these changes affect price and quantity in a competitive market. (E) E.2.4
5. Describe how price elasticity of supply and price elasticity of demand send signals to buyers and sellers. (E) E.2.5
6. Analyze the earnings of workers in different industries using factors such as product value, worker productivity, and market structure. (E) E.2.6

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3 Market Structures E.3

1. Explain the advantages and disadvantages of various types of firms including sole proprietorships, partnerships, and corporations. E.3.1
2. Compare and contrast the basic characteristics of the four market structures: monopoly, oligopoly, monopolistic competition, and pure competition. E.3.2
3. Explain how competition in markets affects price and quantity. (E) E.3.3

4 Role of Government E.4

1. Explain how markets underproduce public goods, and analyze the role of government to resolve those market failures. E.4.1
2. Describe how the government taxes negative externalities (spillovers) and subsidizes positive externalities to resolve the inefficiencies they cause. E.4.2
3. Describe the major revenue and expenditure categories in state and federal budgets and their respective proportions, and the challenges of achieving a balanced budget. (E) E.4.3
4. Determine whether different types of taxes (e.g., income tax, sales tax, and Federal Income Contributions Act [FICA] tax including Social Security and Medicare) are progressive, proportional, or regressive. (E) E.4.4
5. Define budget debt and budget deficit and distinguish between the two. Explain the effects of both on the economy. (E) E.4.5

5 National Economic Performance E.5

1. Explain measures of a country's economic performance such as gross domestic product (GDP), unemployment, and inflation. (E) E.5.1
2. Explain the limitations of using GDP to measure economic welfare. Compare the different types of GDP and (nominal, per capita, real) explain the strengths and limitations of each. E.5.2
3. Identify the different causes of inflation (i.e., cost-push and demand-pull), and explain the impact of inflation on economic decisions. (E) E.5.3
4. Explain the causes and effects of business cycles in a market economy. E.5.4
5. Explain frictional, structural, cyclical, and seasonal unemployment, and analyze the impact of unemployment. E.5.5

6 Money and the Role of Financial Institutions GE.6

1. Explain the basic functions of money. (E) GE.6.1
2. Explain the role financial institutions play among savers, borrowers, and investors. (E) GE.6.2
3. Demonstrate how banks create money through the principle of fractional reserve banking. GE.6.3
4. Describe the structure and functions of the Federal Reserve System. (E) GE.6.4
5. Explain how interest rates act as an incentive for savers and borrowers. (E) GE.6.5

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6 Compare and contrast different types of financial investments. (E) GE.6.6

7 Demonstrate how supply and demand determine equilibrium price and quantity in the financial markets. GE.6.7

7 Economic Stabilization GE.7

1 Define and explain fiscal policy and its tools. (E) GE.7.1

2 Define and explain monetary policy and its tools. (E) GE.7.2

3 Analyze how the government uses fiscal policy to promote price stability, full employment, and economic growth. GE.7.3

4 Explain how the use of fiscal policy affects budget deficits or surpluses and the national debt. GE.7.4

5 Analyze how the Federal Reserve uses monetary policy to promote price stability, full employment, and economic growth. (E) GE.7.5

8 Trade GE.8

1 Define and explain the impact of trade barriers, such as quotas and tariffs, and analyze why countries erect them. (E) GE.8.1

2 Compare and contrast the arguments for and against free trade. GE.8.2