

Economics

Indiana's Academic Standards

Social Studies



Adopted by the
Indiana State
Board of Education
2001





Dear Student,

The world is changing quickly. For you to succeed in school, at work, and in the community, you will need more skills and knowledge than ever before. These days, “ready for college” and “ready for work” essentially mean the same thing: “ready for life.”

To be competitive in today’s economy and earn enough to support a family, you will need to continue your education beyond high school. Getting in shape academically is the single most important thing you can do to prepare for a successful future.

Your future starts with Indiana’s academic standards. This booklet clearly spells out what you should know and be able to do in Economics. Examples are given to help you understand what is required to meet the standards. **Please review this guide with your teachers and share it with your parents and family.**

To be ready for tomorrow, get in top academic shape today. Use this guide year round to check your progress.

Dear Parent,

Education is the building block of every student’s future. To ensure all students have every opportunity to succeed, Indiana adopted world-class academic standards in English/language arts, mathematics, science, and social studies and an assessment system to measure student progress. These standards clearly outline what students should know and be able to do in each subject, at each grade level. Teachers are dedicated to helping all students meet these expectations.

Moreover, these standards are the cornerstone of the state’s new “P-16 Plan for Improving Student Achievement.” Indiana’s P-16 Plan provides a comprehensive blueprint for what we must do to support students every step of the way – from their earliest years through post-high school education. To be competitive in today’s economy and earn enough to support a family, all students need to keep learning after high school – at a two- or four-year college, in an apprenticeship program, or in the military.

How can you help your student meet these challenges? Learning does not take place only in the classroom. Students spend far more time at home than they do in school. How they spend their time can make a real difference.

Nothing will have a bigger impact on your student’s success than your involvement in his or her education. On the next page is a list of 12 things you can do to help ensure your student has the best education possible – from preschool to post-high school opportunities. We hope you use this guide as a tool to help your child succeed today and in the future.

Sincerely,

Governor Joseph E. Kernan

Dr. Suellen Reed,
Superintendent of Public Instruction

Stan Jones,
Commissioner for Higher Education



12 things parents can do to help students succeed

1. **Promote education beyond high school.** To keep our families, communities, and economy strong, all students need to keep learning after high school: at a two- or four-year college, in an apprenticeship program, or through military training. Make sure your child knows you expect him or her to continue learning after high school and help develop a plan for the future.
2. **Build relationships with your teenager's teachers.** Find out what each teacher expects of your child and make sure teachers know you expect your child to continue learning after high school. Learn how you can help your child prepare to meet these expectations.
3. **Read.** Reading is the foundation for all learning. Encourage your child to read to you or spend time together as a family reading. All this helps your child develop strong reading habits and skills from the beginning and reinforces these habits and skills as your child grows. Reading is one of the most important contributions you can make to your child's education.
4. **Practice writing at home.** Letters, journal entries, e-mail messages, and grocery lists are all writing opportunities. Show that writing is an effective form of communication and that you write for a variety of purposes.
5. **Make math part of everyday life.** Paying bills, cooking, gardening, and even playing sports are all good ways to help your child understand and use mathematics skills. Show that there may be many ways to get to the right answer and encourage your child to explain his or her method.
6. **Ask your teenager to explain his or her thinking.** Ask lots of "why" questions. Children should be able to explain their reasoning, how they came up with their answer, and why they chose one answer over another.
7. **Expect that homework will be done.** Keep track of homework assignments and regularly look at your teenager's completed work. Some teachers give parents a number to call for a recorded message of that day's homework; others put the assignments on the Internet. If your school doesn't offer these features, talk to the teacher about how you can get this important information. Even if there aren't specific assignments, stay informed about what your child is working on so that you can help at home. And make sure to stay on top of college admissions application and financial aid deadlines.
8. **Use the community as a classroom.** Feed your teenager's curiosity about the world 365 days a year. Take your son or daughter to museums, local government buildings, state parks, and workplaces. Encourage him or her to volunteer in a field or area of interest in order to show how learning connects to the real world. These activities will reinforce what is learned in the classroom and may help your student decide what to do with his or her future.
9. **Encourage group study.** Open your home to your teenager's friends for informal study sessions. Promote outside formal study groups through church, school organizations, or other groups. Study groups will be especially important as your child becomes older and more independent. The study habits learned in high school will carry over into college and beyond.
10. **Spend time at school.** The best way to know what goes on in your child's school is to spend time there. If you're a working parent, this isn't easy, and you may not be able to do it very often. Even so, "once in awhile" is better than "never."
11. **Start a college savings plan as soon as possible,** and contribute as much as you can each month or year. Investigate Indiana's 529 College Savings Plan and other investment vehicles. Complete the Free Application for Federal Student Aid (FAFSA) and talk with your teen about scholarship and financial aid forms available at school and on the Internet.
12. **Promote high standards for all.** To ensure the academic success of our children, everyone must work toward the same goal. Discuss academic expectations with parents and other people in your community. Use your school and employee newsletters, athletic associations, booster clubs, a PTA or PTO meeting, or just a casual conversation to explain why academic standards are important and what they mean to you and your family. Share your tips for helping your own son or daughter succeed in school and encourage others to share their suggestions as well.

Remember: *You are the most important influence on your child. Indiana's academic standards give you an important tool to ensure your child gets the best education possible.*



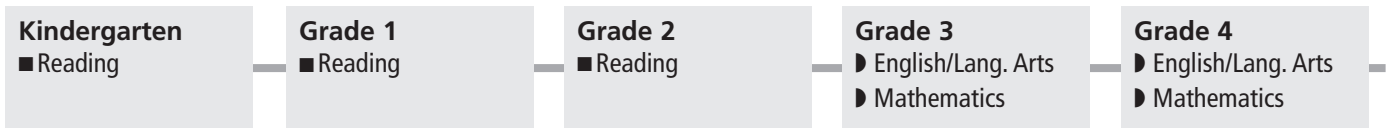
Measuring Student Learning

Children develop at different rates. Some take longer and need more help to learn certain skills. Assessments, like ISTEP+, help teachers and parents understand how students are progressing and assist in identifying academic areas where students may need additional attention.

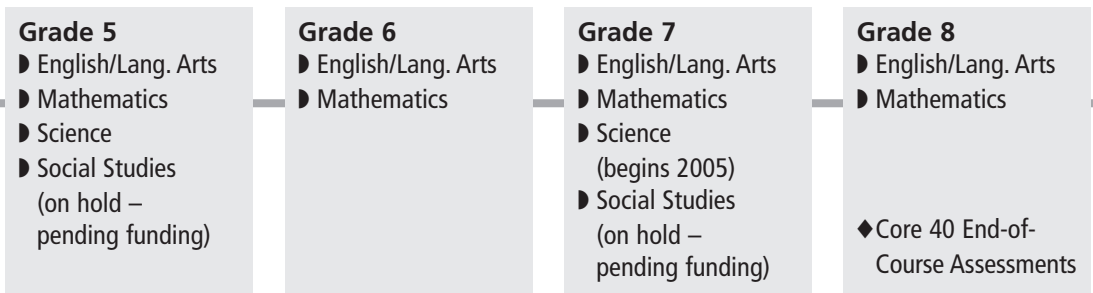
Assessments also provide a measure of school accountability – assisting schools in their efforts to align curriculum and instruction with the state’s academic standards and reporting progress to parents and the public. Students in designated grades take ISTEP+ in the fall of each school year – with the assessment based on what the child should have learned during the previous year.

Indiana’s Reading Assessments are a series of informal classroom assessments available to Indiana teachers in Kindergarten through Grade 2. The assessments are optional and teachers may tailor the assessments to meet their students’ needs.

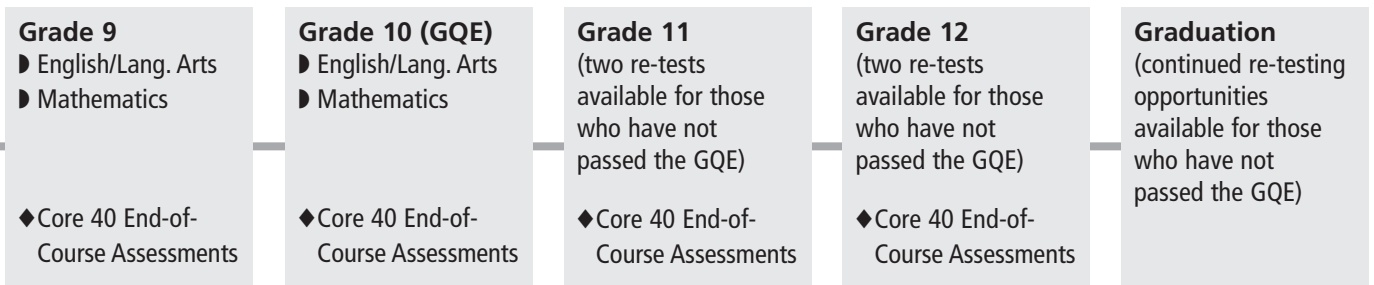
Core 40 End-of-Course Assessments are given at the end of specific high school classes and are a cumulative assessment of what students should have learned during that course. End-of-Course Assessments also provide a means to ensure the quality and rigor of high school courses across the state. Currently, Core 40 End-of-Course Assessments are in place for Algebra I and English/Language Arts 11. Additional End-of-Course Assessments will be phased in over the next few years.



What’s the Goal? By Grade 4, have students moved beyond learning to read toward “reading to learn” other subjects? Can each student write a short, organized essay? Can each student use math skills to solve everyday, real-world problems?



What’s the Goal? By Grades 7 and 8, have students developed strong enough study habits in English and math skills to be ready for high school?



What’s the Goal? Can students read well enough to pass a driver’s exam, understand an appliance manual, or compare two opposing newspaper editorials? Could students write an effective job application letter? By testing skills like these in Grade 10, teachers know whether – and in which skill area – students need more attention before it’s time to graduate. By Grade 12, have students developed the academic foundation necessary to succeed in college and the workforce?

▶ Indicates mandatory ISTEP+ testing	■ Indicates voluntary Reading Assessments	◆ Indicates Core 40 End-of-Course Assessments
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For more information, visit www.doe.state.in.us/standards/assessments.html or call 1-888-54-ISTEP (1-888-544-7837).



This course examines the allocation of scarce resources and the economic reasoning used by people as consumers, producers, savers, investors, workers, voters, and as government agencies. Key elements include the study of scarcity, supply and demand, market structures, the role of government, national income determination, money and the role of financial institutions, economic stabilization, and trade.

At the high school level, Indiana’s academic standards for social studies provide standards for specific courses that focus on one of the five content areas that make up the core of the social studies curriculum: history; civics and government; geography; economics; and individuals, society, and culture (psychology, sociology, and anthropology). One of these content areas is the major focus of the course while the other areas play supporting roles or become completely integrated into the course content. Each high school course continues to develop skills for thinking, inquiry and research, and participation in a democratic society.

Standard 1 — Scarcity and Economic Reasoning

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.

Standard 2 — Supply and Demand

Students will understand the role that supply and demand, prices, and profits play in determining production and distribution in a market economy.

Standard 3 — Market Structures

Students will understand the organization and role of business firms and analyze the various types of market structures in the United States economy.

Standard 4 — The Role of Government

The student will understand the roles of government in a market economy are the provision of public goods and services, redistribution of income, protection of property rights, and resolution of market failures.

Standard 5 — National Economic Performance

Students will understand the means by which economic performance is measured.

Standard 6 — Money and the Role of Financial Institutions

Students will understand the role of money and financial institutions in a market economy.



Standard 7 — Economic Stabilization

Students will understand economic stabilization policies and how they impact the economy.

Standard 8 — Trade

Students will understand why individuals, businesses, and governments trade goods and services and how trade affects the economies of the world.



Standard 1

Scarcity and Economic Reasoning

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.

- E.1.1 Define each of the productive resources (natural, human, capital) and explain why they are necessary for the production of goods and services. (Geography)
- E.1.2 Explain how consumers and producers confront the condition of scarcity, by making choices which involve opportunity costs and tradeoffs.
- E.1.3 Identify and explain broad economic and social goals, such as freedom, efficiency, equity, security, growth, price stability, and full employment. (Civics and Government)
- E.1.4 Describe how people respond predictably to positive and negative incentives.
- E.1.5 Predict how interest rates will act as an incentive for savers and borrowers.
- E.1.6 Recognize that voluntary exchange occurs when all participating parties expect to gain.
- E.1.7 Compare and contrast how the various economic systems (traditional, market, command, mixed) answer the questions: What to produce? How to produce it? For whom to produce?
- E.1.8 Describe how clearly defined and enforced property rights are essential to a market economy. (Civics and Government)
- E.1.9 Use a production possibilities curve to explain the concepts of choice, scarcity, opportunity cost, tradeoffs, unemployment, productivity, and growth.
- E.1.10 Use a decision-making model to analyze a public policy issue affecting the student's community. (Civics and Government)
- E.1.11 Formulate a savings or financial investment plan for a future goal.



Standard 2

Supply and Demand

Students will understand the role that supply and demand, prices, and profits play in determining production and distribution in a market economy.

- E.2.1 Define supply and demand.
- E.2.2 Identify factors that cause changes in market supply and demand.
- E.2.3 Describe the role of buyers and sellers in determining the equilibrium price.
- E.2.4 Describe how prices send signals to buyers and sellers.
- E.2.5 Recognize that consumers ultimately determine what is produced in a market economy (consumer sovereignty).
- E.2.6 Explain the function of profit in a market economy as an incentive for entrepreneurs to accept the risks of business failure.
- E.2.7 Demonstrate how supply and demand determine equilibrium price and quantity in the product, resource, and financial markets.
- E.2.8 Demonstrate how changes in supply and demand influence equilibrium price and quantity in the product, resource, and financial markets.
- E.2.9 Analyze how changes in the price of certain goods, such as gasoline, impact the lives of people in the community. (Civics and Government; Individuals, Society, and Culture)
- E.2.10 Demonstrate how government wage and price controls, such as rent controls and minimum wage laws, create shortages and surpluses. (Civics and Government)
- E.2.11 Use concepts of price elasticity of demand and supply to explain and predict changes in quantity as price changes.
- E.2.12 Illustrate how investment in factories, machinery, new technology, and the health, education, and training of people increases productivity and raises future standards of living. (Individuals, Society, and Culture)
- E.2.13 Explain how financial markets, such as the stock market, channel funds from savers to investors.



Standard 3

Market Structures

Students will understand the organization and role of business firms and analyze the various types of market structures in the United States economy.

- E.3.1 Compare and contrast the following forms of business organization: sole proprietorship, partnership, and corporation.
- E.3.2 Identify the three basic ways that firms finance operations (retained earnings, stock issues, and borrowing) and explain the advantages and disadvantages of each.
- E.3.3 Recognize that economic institutions, such as labor unions, nonprofit organizations, and cooperatives, evolve in market economies to help individuals accomplish their goals. (Civics and Government; Individuals, Society, and Culture)
- E.3.4 Identify the basic characteristics of the four market structures: monopoly, oligopoly, monopolistic competition, and pure competition.
- E.3.5 Explain how competition among many sellers lowers costs and prices and encourages producers to produce more.
- E.3.6 Demonstrate how firms determine price and output through marginal analysis.
- E.3.7 Explain ways that firms engage in price and nonprice competition.
- E.3.8 Identify laws and regulations adopted in the United States to promote competition among firms. (Civics and Government)
- E.3.9 Describe the benefits of natural monopolies (economies of scale) and the purposes of government regulation of these monopolies, such as utilities. (Civics and Government)
- E.3.10 Explain how cartels affect product price and output.
- E.3.11 Describe how the earnings of workers are determined by the market value of the product produced and workers' productivity.



Standard 4

The Role of Government

The student will understand the roles of government in a market economy are the provision of public goods and services, redistribution of income, protection of property rights, and resolution of market failures.

- E.4.1 Explain the basic functions of government in a market economy. (Civics and Government)
- E.4.2 Explain how government responds to market failures by providing public goods and services. (Civics and Government)
- E.4.3 Describe major revenue and expenditure categories and their respective proportions of local, state, and federal budgets. (Civics and Government)
- E.4.4 Explore the ways that tax revenue is used in the community. (Civics and Government)
- E.4.5 Identify taxes paid by students. (Civics and Government)
- E.4.6 Define progressive, proportional, and regressive taxation. (Civics and Government)
- E.4.7 Determine whether different types of taxes (including income, sales, and social security) are progressive, proportional, or regressive. (Civics and Government)
- E.4.8 Describe how costs of government policies may exceed benefits, because social or political goals other than economic efficiency are being pursued. (Civics and Government)
- E.4.9 Predict possible future effects of the national debt on the individual and the economy. (Civics and Government)
- E.4.10 Predict how changes in federal spending and taxation would affect budget deficits and surpluses and the national debt. (Civics and Government)



Standard 5

National Economic Performance

Students will understand the means by which economic performance is measured.

- E.5.1 Define aggregate supply and demand, Gross Domestic Product (GDP), economic growth, unemployment, and inflation.
- E.5.2 Explain how GDP, economic growth, unemployment, and inflation are calculated.
- E.5.3 Explain the limitations of using GDP to measure economic welfare.
- E.5.4 Explain the four phases of the business cycle.
- E.5.5 Analyze the impact of events in United States history, such as wars and technological developments, on business cycles. (History)
- E.5.6 Identify the different causes of inflation and explain who gains and loses because of inflation.
- E.5.7 Analyze the impact of inflation on students' economic decisions.
- E.5.8 Recognize that a country's overall level of income, employment, and prices are determined by the individual spending and production decisions of households, firms, and government. (Civics and Government; Individuals, Society, and Culture)
- E.5.9 Illustrate and explain how the relationship between aggregate supply and aggregate demand is an important determinant of the levels of unemployment and inflation in an economy.
- E.5.10 Analyze the unemployment rate in the community.
- E.5.11 Propose solutions for addressing issues of unemployment in the community. (Civics and Government)

Standard 6

Money and the Role of Financial Institutions

Students will understand the role of money and financial institutions in a market economy.

- E.6.1 Explain the basic functions of money.
- E.6.2 Identify the composition of the money supply of the United States.
- E.6.3 Explain the role of banks and other financial institutions in the economy of the United States. (History)
- E.6.4 Describe the organization and functions of the Federal Reserve System. (Civics and Government)
- E.6.5 Compare and contrast credit, savings, and investment services available to the consumer from financial institutions.
- E.6.6 Demonstrate how banks create money through the principle of fractional reserve banking.
- E.6.7 Research and monitor financial investments, such as stocks, bonds, and mutual funds.
- E.6.8 Formulate a credit plan for purchasing a major item comparing different interest rates.



Standard 7

Economic Stabilization

Students will understand economic stabilization policies and how they impact the economy.

- E.7.1 Define and explain fiscal and monetary policy. (Civics and Government)
- E.7.2 Define the tools of fiscal and monetary policy. (Civics and Government)
- E.7.3 Describe the negative impacts of unemployment and unintended inflation on an economy and how individuals and organizations try to protect themselves. (Individuals, Society, and Culture)
- E.7.4 Illustrate and explain cost-push and demand-pull inflation.
- E.7.5 Explain how monetary policy affects the level of inflation in the economy.
- E.7.6 Analyze how the government uses taxing and spending decisions (fiscal policy) to promote price stability, full employment, and economic growth. (Civics and Government)
- E.7.7 Analyze how the Federal Reserve uses monetary tools to promote price stability, full employment, and economic growth. (Civics and Government)
- E.7.8 Articulate how a change in monetary or fiscal policy can impact a student's purchasing decision.

Standard 8

Trade

Students will understand why individuals, businesses, and governments trade goods and services and how trade affects the economies of the world.

- E.8.1 Explain the benefits of trade among individuals, regions, and countries. (Geography; Individuals, Society, and Culture)
- E.8.2 Define and distinguish between absolute and comparative advantage.
- E.8.3 Define trade barriers, such as quotas and tariffs. (Civics and Government)
- E.8.4 Explain why countries sometimes erect barriers to trade. (Civics and Government)
- E.8.5 Explain the difference between balance of trade and balance of payments.
- E.8.6 Compare and contrast labor productivity trends in the United States and other developed countries.
- E.8.7 Explain how most trade occurs because of a comparative advantage in the production of a particular good or service.
- E.8.8 Explain how changes in exchange rates impact the purchasing power of people in the United States and other countries. (Individuals, Society, and Culture)
- E.8.9 Evaluate the arguments for and against free trade.
- E.8.10 Identify skills individuals need to be successful in the workplace. (Individuals, Society, and Culture)

Policy Notification Statement:

It is the policy of the Indiana Department of Education not to discriminate on the basis of race, color, religion, sex, national origin, age, or disability, in its programs, activities, or employment policies as required by the Indiana Civil Rights Law (I.C. 22-9-1), Title VI and VII (Civil Rights Act of 1964), the Equal Pay Act of 1973, Title IX (Educational Amendments), Section 504 (Rehabilitation Act of 1973), and the Americans with Disabilities Act (42 USCS §12101, et. seq.).

Inquiries regarding compliance by the Indiana Department of Education with Title IX and other civil rights laws may be directed to the Human Resources Director, Indiana Department of Education, Room 229, State House, Indianapolis, IN 46204-2798, or by telephone to 317-232-6610, or the Director of the Office for Civil Rights, U.S. Department of Education, 111 North Canal Street, Suite 1053, Chicago, IL 60606-7204. – Dr. Suellen Reed, State Superintendent of Public Instruction.

Questions?

If you have contacted your child's school and still need additional information, call: **1.888.544.7837**.

www.doe.state.in.us/standards

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www.doe.state.in.us/standards/spanish.html

