



DEPARTMENT OF EDUCATION

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Superintendent of Public Instruction

*Working Together for Student Success*

# Indiana Academic Standards Correlation Guide Economics

**Indiana Department of Education**

**College and Career Readiness**

## 2007 Economics Standards

*This course examines the allocation of scarce resources and the economic reasoning used by people as consumers, producers, savers, investors, workers, citizens and as agents of the government. 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; 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. Supporting content areas are indicated in parentheses. Each high school course continues to develop skills for thinking, inquiry and research, and participation in a democratic society.*

## 2014 Economics Standards

*Economics examines the allocation of resources and their uses for satisfying human needs and wants. The course analyzes the economic reasoning and behaviors of consumers, producers, savers, investors, workers, voters, institutions, governments, and societies in making decisions. Students explain that because resources are limited, people must make choices and understand 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.*

*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; 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.*

- DOE Code: 1514
- *Recommended Grade Level: Grades 11 or 12*
- *Recommended Prerequisites: None*
- *Credits: 1 semester course, 1 credit*
- *Fulfills the Economics requirement for the Core 40, Core 40 with Academic Honors, Core 40 with Technical Honors and International Baccalaureate diplomas, a Social Studies requirement for the General Diploma, or counts as an Elective for any diploma*
- *Qualifies as a Quantitative Reasoning course for the General diploma only*

## ECONOMICS CORRELATION

## 2007 Economics Standards

### **Standard 1 — Scarcity and Economic Reasoning**

Students will understand that productive resources are limited; therefore, people, institutions and governments cannot have all the goods and services they want. As a result, people, institutions and governments 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**

Students will understand that typical microeconomic roles of government in a market or mixed 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 the macroeconomic role of the government in developing and implementing economic stabilization policies and how these policies 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.

## 2014 Economics Standards

### CONTENT STANDARDS

### **Standard 1 — Scarcity and Economic Reasoning**

Students understand that productive resources are limited; therefore, people, institutions, and governments cannot have all the goods and services they want. As a result, people, institutions, and governments must choose some things and give up others.

### **Standard 2 — Supply and Demand**

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

### **Standard 4 — The Role of Government**

Students understand that typical microeconomic roles of government in a market or mixed 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 understand the means by which economic performance is measured and the causes and effects of business cycles in a market economy.

### **Standard 6 — Money and the Role of Financial Institutions**

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

### **Standard 7 — Economic Stabilization**

Students understand the macroeconomic role of the government in developing and implementing economic stabilization policies and how these policies impact the macro economy.

### **Standard 8 — Trade**

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

## ECONOMICS CORRELATION

## 2007 Economics Standards

## 2014 Economics Standards

<b>Standard 1 — Scarcity and Economic Reasoning</b> Students will understand that productive resources are limited; therefore, people, institutions and governments cannot have all the goods and services they want. As a result, people, institutions and governments must choose some things and give up others.		<b>Standard 1 — Scarcity and Economic Reasoning</b> Students understand that productive resources are limited; therefore, people, institutions, and governments cannot have all the goods and services they want. As a result, people, institutions, and governments 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.1.1	Define and identify each of the productive resources (natural, human, capital) and explain why each is necessary for the production of goods and services.
E.1.2	Explain how consumers and producers confront the condition of scarcity by making choices which involve opportunity costs and tradeoffs. <b>(E.1.5 in 2014 standards)</b>		
E.1.3	Explain the important role of the entrepreneur in taking the risk to combine productive resources to produce goods and services.	E.1.2	Explain that entrepreneurs combine productive resources to produce goods and services with the goal of making a profit.
E.1.4	Describe how people respond predictably to positive and negative incentives.	E.1.3	Identify incentives and explain how they influence decisions.
E.1.5	Explain that voluntary exchange occurs when all participating parties expect to gain.	E.1.4	Explain that voluntary exchange occurs when households, businesses, and governments expect to gain.
		E.1.5	Define scarcity and explain how choices incur opportunity costs and tradeoffs.
		E.1.6	Use a production possibilities curve to explain the concepts of choice, scarcity, opportunity cost, tradeoffs, unemployment, productivity, and growth.
E.1.6	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.1.7	Describe and compare the various economic systems (traditional, market, command, mixed); explain their strengths and weaknesses.
E.1.7	Describe how clearly defined and enforced property rights are essential to a market economy. (Government)	E.1.8	Describe how clearly defined and enforced property rights are essential to a market economy.
E.1.8	Use a production possibilities curve to explain the concepts of choice, scarcity, opportunity cost, tradeoffs, unemployment, productivity and growth. <b>(E.1.6 in 2014 standards)</b>		
E.1.9	Diagram and explain a Circular Flow Model of a market economy, showing households and businesses as decision makers, resource and money flows, and the three basic markets – product, productive resources and financial markets.	E.1.9	Diagram and explain the circular flow model of a market economy.

### ECONOMICS CORRELATION

## 2007 Economics Standards

## 2014 Economics Standards

<b>Standard 2 — Supply and Demand</b> Students will understand the role that supply and demand, prices, and profits play in determining production and distribution in a market economy.		<b>Standard 2 — Supply and Demand</b> Students 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.2.1	Define supply and demand and explain the causes of the Law of Supply and the Law of Demand.
E.2.2	Identify factors that cause changes in market supply and demand.	E.2.2	Recognize that consumers ultimately determine what is produced in a market economy.
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	Demonstrate how supply and demand determine equilibrium price and quantity in the product, resource and financial markets.	E.2.3	Illustrate how supply and demand determine equilibrium price and quantity.
E.2.7	Demonstrate how changes in supply and demand influence equilibrium price and quantity in the product, resource, and financial markets.	E.2.4	Identify factors that cause changes in market supply and demand and how these changes affect price and quantity in a competitive market.
E.2.8	Describe how the earnings of workers are determined by the market value of the product produced and workers' productivity. <b>(E.2.7 in 2014 standards)</b>	E.2.5	Describe how elasticity (price) sends signals to buyers and sellers.
E.2.9	Demonstrate how government wage and price controls, such as rent controls and minimum wage laws, create shortages and surpluses. (Government)	E.2.6	Demonstrate how government wage and price controls, such as rent controls and minimum wage laws, create shortages and surpluses.
E.2.10	Use concepts of price elasticity of demand and supply to explain and predict changes in quantity as price changes. <b>(E.2.5 in 2014 standards)</b>	E.2.7	Describe how the earnings of workers are determined by the market value of the product produced and workers' productivity, as well as other factors.
E.2.11	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.2.8	Illustrate how physical and human capital investment raise productivity and future standards of living.

## ECONOMICS CORRELATION

## 2007 Economics Standards

## 2014 Economics Standards

<b>Standard 3 — Market Structures</b> Students will understand the organization and role of business firms and analyze the various types of market structures in the United States economy.		<b>Standard 3 — Market Structures</b> Students understand the 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.3.1	Identify the ways that firms raise financial capital and explain the advantages and disadvantages of each.
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.3.2	Demonstrate how firms determine optimum levels of output by comparing marginal cost and marginal revenue.
E.3.3	Recognize that economic institutions, such as labor unions, nonprofit organizations and cooperatives, evolve in market economies to help members and clients accomplish their goals. (Government; Individuals, Society and Culture)	E.3.3	Compare and contrast the basic characteristics of the four market structures: monopoly, oligopoly, monopolistic competition, and pure competition; explain how various amounts of competition affect price and quantity.
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.		
E.3.6	Demonstrate how firms determine price and output through marginal analysis.		
E.3.7	Explain ways that firms engage in price and non-price competition.		
E.3.8	Identify laws and regulations adopted in the United States to promote competition among firms. (Government)		
E.3.9	Explain the function of profit in a market economy as an incentive for entrepreneurs to accept the risks of business failure.		
E.3.10	Describe the benefits of natural monopolies (economies of scale) and the purposes of government regulation of these monopolies, such as utilities. (Government)	E.3.4	Recognize the benefits of natural monopolies (economies of scale) and explain the purposes of government regulation of these monopolies.
E.3.11	Explain how cartels affect product price and output.		

## ECONOMICS CORRELATION

## 2007 Economics Standards

## 2014 Economics Standards

<b>Standard 4 — The Role of Government</b> Students will understand that typical microeconomic roles of government in a market or mixed economy are the provision of public goods and services, redistribution of income, protection of property rights, and resolution of market failures.		<b>Standard 4 — The Role of Government</b> Students understand that typical microeconomic roles of government in a market or mixed 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. (Government)	E.4.1	Explain the roles of government in a market economy.
E.4.2	Explain how markets produce too few public goods and how the government determines the amount to produce through looking at benefits and costs.	E.4.2	Explain how markets under produce public goods and explain why the government has an interest in producing these public goods.
E.4.3	Describe how the government taxing harmful spillovers* and subsidizing helpful spillovers helps to resolve the inefficiency they cause.	E.4.3	Describe how the government taxes negative externalities (spillovers) and subsidizes positive externalities (spillovers) to resolve the inefficiencies they cause.
E.4.4	Describe major revenue and expenditure categories and their respective proportions of local, state and federal budgets. (Government)	E.4.4	Describe major revenue and expenditure categories and their respective proportions of state and federal budgets.
E.4.5	Explore the ways that tax revenue is used in the community. (Government)		
E.4.6	Identify taxes paid by students. (Government)		
E.4.7	Define progressive, proportional and regressive taxation. (Government)	E.4.5	Define progressive, proportional, and regressive taxation and determine whether different types of taxes (including income, sales, and Social Security) are progressive, proportional, or regressive.
E.4.8	Determine whether different types of taxes (including income, sales and social security) are progressive, proportional or regressive. (Government)		
E.4.9	Describe how costs of government policies may exceed benefits, because social or political goals other than economic efficiency are being pursued. (Government)	E.4.6	Explain how costs of government policies may exceed benefits because social or political goals (rather than economic efficiency) are being pursued.
E.4.10	Use an economic decision-making model to analyze a public policy issue. (Government)	E.4.7	Define the national debt, explain the effects of the debt on the economy, and explain how to achieve a balanced budget.
	<ul style="list-style-type: none"> <li>spillover: the impact of an activity (positive or negative) on the well-being of a third party</li> </ul>		

## ECONOMICS CORRELATION

## 2007 Economics Standards

## 2014 Economics Standards

<b>Standard 5 — National Economic Performance</b> Students will understand the means by which economic performance is measured.		<b>Standard 5 — National Economic Performance</b> Students understand the means by which economic performance is measured and the causes and effects of business cycles in a market economy.	
E.5.1	Define aggregate supply and demand, Gross Domestic Product (GDP), economic growth, unemployment, and inflation.	E.5.1	Explain measures of a country's economic performance such as gross domestic product (GDP), unemployment, and inflation.
E.5.2	Explain how GDP, economic growth, unemployment and inflation are measured.	E.5.2	Recognize that a country's overall level of income, employment, and prices is determined by rational spending and production decisions of households, firms, and government.
E.5.3	Explain the limitations of using GDP to measure economic welfare.	E.5.3	Explain the limitations of using GDP to measure economic welfare.
E.5.4	Explain the four phases of the business cycle (contraction*, trough*, expansion* and peak*).	E.5.4	Identify the different causes of inflation (including cost-push and demand-pull) and explain the impact of inflation on economic decisions.
E.5.5	Analyze the impact of events in United States history, such as wars and technological developments, on business cycles. (History)	E.5.5	Explain and illustrate the impact of changes in aggregate supply and aggregate demand.
E.5.6	Identify the different causes of inflation and explain who gains and loses because of inflation. <b>(E.5.4 in 2014 standards)</b>	E.5.6	Explain the causes and effects of business cycles in a market economy.
E.5.7	Analyze the impact of inflation on students' economic decisions.		
E.5.8	Illustrate and explain cost-push and demand-pull inflation.		
E.5.9	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. (Government; Individuals, Society and Culture)		
E.5.10	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.5.7	Explain the different types of unemployment.

### ECONOMICS CORRELATION

## 2007 Economics Standards

## 2014 Economics Standards

<p><b>E.5.11</b> Compare and contrast solutions for reducing unemployment. (Government)</p> <ul style="list-style-type: none"> <li>• contraction: phase of a business cycle in which the economy as a whole is in a decline; occurs after the business cycle peaks</li> <li>• trough: the phase of the economy's business cycle that marks the end of a period of declining activity</li> <li>• expansion: the phase when business activity surges</li> <li>• peak: the highest point between the end of an economic expansion and the start of a contraction</li> </ul>	<p><b>E.5.8</b> Describe the impact of unemployment and unexpected inflation on an economy and how individuals and organizations try to protect themselves.</p>
<p><b>Standard 6 — Money and the Role of Financial Institutions</b> Students will understand the role of money and financial institutions in a market economy</p>	<p><b>Standard 6 — Money and the Role of Financial Institutions</b> Students understand the role of money and financial institutions in a market economy.</p>
<p><b>E.6.1</b> Explain the basic functions of money.</p> <p><b>E.6.2</b> Identify the composition of the money supply of the United States.</p> <p><b>E.6.3</b> Explain the role of banks and other financial institutions in the economy of the United States.</p> <p><b>E.6.4</b> Explain how interest rates act as an incentive for savers and borrowers.</p> <p><b>E.6.5</b> Describe the organization and functions of the Federal Reserve System. (Government)</p> <p><b>E.6.6</b> Compare and contrast credit, savings and investment services available to the consumer from financial institutions.</p> <p><b>E.6.7</b> Demonstrate how banks create money through the principle of fractional reserve banking. <b>(E.6.4 in 2014 standards)</b></p> <p><b>E.6.8</b> Research and monitor financial investments, such as stocks, bonds and mutual funds.</p> <p><b>E.6.9</b> Analyze the difference in borrowing costs using various rates of interest when purchasing a major item, such as a car or house.</p> <p><b>E.6.10</b> Formulate a savings or financial investment plan for a future goal.</p>	<p><b>E.6.1</b> Explain the basic functions of money.</p> <p><b>E.6.2</b> Identify the composition of the money supply of the United States.</p> <p><b>E.6.3</b> Explain the roles of financial institutions.</p> <p><b>E.6.4</b> Demonstrate how banks create money through the principle of fractional reserve banking.</p> <p><b>E.6.5</b> Describe the structure and functions of the Federal Reserve System.</p> <p><b>E.6.6</b> Explain how interest rates act as an incentive for savers and borrowers.</p> <p><b>E.6.7</b> Compare and contrast different types of financial investments.</p> <p><b>E.6.8</b> Demonstrate how supply and demand determine equilibrium price and quantity in the financial markets.</p>

### ECONOMICS CORRELATION

## 2007 Economics Standards

## 2014 Economics Standards

<b>Standard 7 — Economic Stabilization</b> Students will understand the macroeconomic role of the government in developing and implementing economic stabilization policies and how these policies impact the economy.		<b>Standard 7 — Economic Stabilization</b> Students understand the macroeconomic role of the government in developing and implementing economic stabilization policies and how these policies impact the macro economy.	
E.7.1	Define and explain fiscal and monetary policy. (Government)	E.7.1	Define and explain fiscal and monetary policy.
E.7.2	Define the tools of fiscal and monetary policy. (Government)	E.7.2	Explain the tools of fiscal and monetary policy.
E.7.3	Describe the negative impacts of unemployment and unexpected inflation on an economy and how individuals and organizations try to protect themselves. (Individuals, Society and Culture)		
E.7.4	Explain how monetary policy affects the level of inflation in the economy.		
E.7.5	Analyze how the government uses taxing and spending decisions (fiscal policy) to promote price stability, full employment and economic growth. (Government)	E.7.3	Analyze how the government uses fiscal policy to promote price stability, full employment, and economic growth.
		E.7.4	Explain how the use of fiscal policy affects budget deficits or surpluses and the national debt.
E.7.6	Analyze how the Federal Reserve uses monetary tools to promote price stability, full employment and economic growth. (Government)	E.7.5	Analyze how the Federal Reserve uses monetary policy to promote price stability, full employment, and economic growth.
E.7.7	Predict possible future effects of the national debt on the individual and the economy. (Government)	E.7.6	Compare and contrast the major macroeconomic theories.
E.7.8	Predict how changes in federal spending and taxation would affect budget deficits and surpluses and the national debt. (Government)		
E.7.9	Explain how a change in monetary or fiscal policy can impact a student's purchasing decision.		

## ECONOMICS CORRELATION

## 2007 Economics Standards

## 2014 Economics Standards

<b>Standard 8 — Trade</b> Students will understand why individuals, businesses and governments trade goods and services and how trade affects the economies of the world.		<b>Standard 8 — Trade</b> Students understand why households, businesses, and governments trade goods and services and how trade affects the economies of the world.	
<b>E.8.1</b>	Explain the benefits of trade among individuals, regions and countries. (Geography; Individuals, Society and Culture)	<b>E.8.1</b>	Explain that most trade occurs because producers have a comparative advantage (rather than an absolute advantage) in the production of a good or service.
<b>E.8.2</b>	Define and distinguish between absolute and comparative advantage.		
<b>E.8.3</b>	Define trade barriers, such as quotas and tariffs. (Government)	<b>E.8.2</b>	Explain the benefits of trade among households and countries.
<b>E.8.4</b>	Explain why countries erect barriers to trade. (Government)		
<b>E.8.5</b>	Explain the difference between balance of trade and balance of payments.	<b>E.8.3</b>	Explain the difference between balance of trade and balance of payments.
<b>E.8.6</b>	Compare and contrast labor productivity trends in the United States and other developed countries.	<b>E.8.4</b>	Define and explain the impact of trade barriers, such as quotas and tariffs, and analyze why countries erect them.
<b>E.8.7</b>	Explain how most trade occurs because of a comparative advantage in the production of a particular good or service.		
<b>E.8.8</b>	Explain how changes in exchange rates impact the purchasing power of people in the United States and other countries. (Individuals, Society and Culture)	<b>E.8.5</b>	Evaluate the arguments for and against free trade.
<b>E.8.9</b>	Evaluate the arguments for and against free trade.	<b>E.8.6</b>	Explain how changes in exchange rates affects the value of imports and exports.
<b>E.8.10</b>	Identify skills that individuals need to be successful in the global economy.		

### ECONOMICS CORRELATION