



Financial and Economic
Knowledge for Life

National Content Standards in K–12 Economics

3rd Edition

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Standard 18: Fiscal Policy and Taxation60

Fiscal policy refers to government taxation and spending decisions. The federal government’s budget policy influences the overall levels of employment, output, and prices. Taxation impacts the behaviors and circumstances of individuals and businesses.

Preface

The *National Content Standards in Economics* is the third edition of the *Voluntary National Content Standards in K–12 Economics*. The origins of this work began in 1979 with the publication of *Master Curriculum Guide in Economics: A Framework for Teaching the Basic Concepts (Framework)* by the then Joint Council on Economic Education. The *Framework* was revised in 1984 due to the “gratifying results” of the publication. The first edition of the *Voluntary National Content Standards in Economics* was published by the Council for Economic Education (CEE) in 1997. The standards were used for a variety of purposes, from the design of tests to the alignment of lesson plans. They were revised for the first time in 2010. In 2023, the Calvin K. Kazanjian Economics Foundation provided funding for this revision of the standards. Their generous support, as well as the contribution of time by many dedicated individuals, have resulted in this new edition.

Writing Committee and Process

The selection of the writing team and various review committees began in the fall of 2023. In January 2024, a survey was sent to members of the National Association of Economic Educators (NAEE) and the Federal Reserve Banks’ economic education programs asking respondents to recommend changes to the standards. In addition, a focus group of teachers met in Florida to discuss the structure of the standards. With input from those sources, the writing team met in February 2024 to begin the process of updating the standards.

The committee decided to change the structure of the standards from the first two editions. This was accomplished by putting the individual benchmarks

onto cards and reorganizing the benchmarks into new standards, with the final result being a decrease to 18 standards from the original 20. In March 2024, further input was received from content experts and the members of the Society of Economic Educators. The writing team then completed their revisions in the summer of 2024. The process continued in the creation of a rough draft that was then peer reviewed by another writing team member.

The draft was presented at CEE’s Financial Literacy and Economic Education Conference in September 2024 and was then circulated for review by teachers, economic education experts, and curriculum coordinators at various state departments of education. In addition, a Pedagogy Committee was formed to focus specifically on the demonstration of knowledge component of the benchmarks. An expert in culturally responsive pedagogy also reviewed the draft and made recommendations from these various groups.

Based on these recommendations, the document was revised and subsequently presented at the 2025 Allied Social Science Associations (ASSA) meeting in San Francisco and then at a NAEE convening in Philadelphia in March 2025. Suggestions offered at these two meetings were integrated into the final version.

Structure of the Standards

The structure of the document consists of four distinct parts: the standard itself, a paragraph describing the design of the standard, content benchmarks, and demonstration-of-knowledge benchmarks.

First, each standard expresses an economic concept that the students should understand. The standard is the overarching statement that expresses the content found in the various benchmarks.

The standard is followed by a paragraph describing the intent of the writers in designing the progression of the benchmarks. This differs from past versions which focused more on a summary and justification of the standard’s content. As opposed to the 4th-, 8th-, and 12th-grade levels used in the previous editions, the benchmarks are denoted by elementary (E), middle (M), and high school (H), emphasizing that local teachers, schools, and districts should decide where in their curriculum plan the benchmarks should be placed. Table 1 provides a summary of the number of benchmarks by grade level for each of the standards.

The benchmarks themselves are formatted in a table with three columns. The first column shows the benchmark identifier, formatted as Standard.Level.Number. The second column is the content for the benchmark and is prefaced with “Students will know that.” These benchmarks express the content the students are expected to know as a component of the overall standard. The last column expresses how the students can demonstrate this knowledge and is prefaced with “Students will use this knowledge to.” Great care was taken to ensure that (a) the “will use” description matches the content in the “will know” column and (b) the use demonstrates something the student should be able to accomplish with the knowledge. The “will use” column was given extra attention due to the increased desire by standards adopters to go

beyond just content standards and have students apply their knowledge.

The Language of the Standards

The standards are primarily conceptual. They generally do not include important basic facts about the American and world economies. Including them would mean the document would become dated within a short period of time. The relevant facts students should know about the economy change constantly. However, students should know some fundamentals about the economy, including its size and the current rates of unemployment, inflation, and interest. Some of the exercises on the “will use” column of the benchmarks lead students to acquire such information. Conceptual standards, on the other hand, highlight the unique contributions of economics and are enduring principles. They also facilitate an emphasis on economic reasoning, encouraging students to develop the capacity to deduce conclusions from whatever facts are pertinent to the myriad problems they will confront in their lives.

The standards were written so that teachers, students, parents, and the general public can understand what they mean and what the standards require students to do. Although we took care to avoid the nomenclature of economics in the standards (as in previous editions), much of this language, as well as many of the principles of economics, are contained in the benchmarks.

Best Scholarship in the Discipline

The standards are intended to reflect consensus in the discipline. This goal was accomplished by using the majority paradigm, circulating the standards widely, and considering comments and advice from readers of various drafts. The final

standards reflect the view of a large majority of economists today in favor of a “neoclassical model” of economic behavior. The Writing Committee’s use of this paradigm does not connote a repudiation of alternatives. Rather, it reflects the assignment to produce a single, coherent set of standards to guide the teaching of economics in schools. Including strongly held alternate views of economic processes and concepts would have confused and frustrated teachers and students who would then be left with the responsibility of sorting the alternatives without a sufficient foundation to do so.

The standards reflect the best scholarship in the discipline. This criterion turned out to be challenging. In areas of controversy—macroeconomics, for example—the Writing Committees from all editions struggled to identify a consensus paradigm. More difficult, however, was balancing the trade-off between accuracy and parsimony. Almost all economics principles are conditioned on assumptions. To report all of those assumptions each time would detract from the effectiveness of the standards, leaving readers with the responsibility of distinguishing the principles from the assumptions. So, in numerous cases, without specifying all of the required assumptions, standards and benchmarks imply principles that are widely agreed to be true most, but not all, of the time.

Changes from the 2nd Edition

The standards and benchmarks received a larger overhaul than between the 1st and 2nd editions. The reasons for this were twofold. First, the period of time from the initial standards is now over 25 years, so the emphasis of what is taught has changed. Second, the Writing Committee felt that the time had come to change the

structure of the standards. The old standards, while conceptually interesting, had oddities such as having different standards for markets and prices. The revised standards are meant to more closely resemble a course as opposed to merely enumerating concepts.

This reorganization resulted in 18 standards. Two new standards were introduced: technology and international economics. Technology is a brand-new standard. The Writing Committee concluded that in our modern world, the impacts of technology are felt more than ever and worthy of their own standard. The committee decided to go beyond presenting technology as merely an exogenous shifter of supply and growth. International economics, while new as a standard, is a reorganization of the international benchmarks, which had previously been awkwardly scattered amongst other standards.

Two old standards were combined into other standards. Entrepreneurship, the Writing Committee felt, contained benchmarks that reflected more about the operations of any business as opposed to entrepreneurs uniquely. Government Failure, which consisted of only six benchmarks, was folded into the Role of Government. The rest of the new standards and associated benchmarks were created from an amalgamation of the old standards.

Table 2 provides an overview of the crosswalk between the old and new standards. This allows for a quick assessment of how benchmarks were reorganized to form new standard groupings. For example, the new Standard 1: Scarcity and Allocation is primarily composed of the old Standard 1: Scarcity and the old Standard 3: Allocation. The new Standard 4: Markets is

composed of the old Standard 7: Markets and Prices and the old Standard 8: Role of Prices. The new Standard 5: Business Decisions and Market Structure is composed of the old Standard 9: Competition and Market Structure and the old Standard 14: Entrepreneurship.

Overall, the number of benchmarks increased from 223 to 260. The Writing Committee was cognizant of not letting the standards and accompanying benchmarks become too lengthy. The heaviest concentrations of additions were in the areas that were new or had to be redone. Technology was a new standard and so many of its benchmarks were new. Changes to monetary policy and a lack of benchmarks on the topic in the older standards resulted in a large number of benchmarks being added. Finally, the Writing Committee felt that some topics needed to be added, resulting in the inclusion of network effects and elasticity of demand.

The Writing Committee was also cognizant that groups wanting to adopt standards in economics rarely just adopt this document as is. This document has always been a suggested set of standards. Although the Writing Committee removed the word “voluntary” from the title, it is abundantly understood that teachers, local schools, districts, and states will use these standards a guide, taking standards and benchmarks they like, while adding ones they believe address the particular needs of their students. From that perspective, it was felt that providing more was a lesser error than providing less.

Final Words

As noted by John Siegfried in the previous edition of these standards, the impact of this document has been significant over the years. The National Content Standards in Economics have been used by textbook writers, test developers, assessment initiatives (such as the 2006 National Assessment of Educational Progress in Economics), and state standards writers. Curriculum writers use the standards in designing their creative work. Researchers use it as a guide to define what students in K–12 should know. In short, the document is a widely used and trusted reference work. This revision should add to that legacy in the years to come.

William Bosshardt
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TABLE 1: STANDARDS AND BENCHMARKS BY GRADE LEVEL

Standard	Topic	Elementary School Level	Middle School Level	High School Level	Total Benchmarks
1	Scarcity and Allocation	13	5	2	20
2	Decision-Making	7	7	10	24
3	Specialization and Exchange	9	2	1	12
4	Markets	3	7	6	16
5	Business Decisions and Market Structure	2	9	7	18
6	Market Failure	2	3	6	11
7	Role of Government	2	2	12	16
8	Labor and Income	3	9	8	20
9	International Trade	3	6	8	17
10	Technology	0	3	6	9
11	Gross Domestic Product (GDP)	0	5	6	11
12	Unemployment	1	3	6	10
13	Money	3	4	4	11
14	Banks, Interest Rates, and Financial Markets	1	3	11	15
15	Inflation	1	4	8	13
16	Growth and Fluctuations	0	5	10	15
17	Monetary Policy	0	3	7	10
18	Fiscal Policy and Taxation	0	4	8	12
TOTAL BENCHMARKS		50	84	126	260

TABLE 2: CROSSWALK SUMMARY

New Standards	Old Standards																						TOTAL
		Scarcity	Decision-Making	Allocation	Incentives	Trade	Specialization	Markets and Prices	Role of Prices	Comp. and Market Struct.	Institutions	Money and Inflation	Interest Rates	Income	Entrepreneurship	Economic Growth	Government Market Failure	Government Failure	Econ. Fluctuations	Unemployment & Inflation	Fiscal & Monetary Policy	New Added	
Scarcity and Allocation		10	0	8	0	0	0	0	0	0	0	0	0	0	1	1	0	0	0	0	0	3	23
Decision-Making		8	9	0	9	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	28
Specialization and Exchange		0	0	0	0	5	6	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	12
Markets		0	0	0	0	0	0	9	8	0	0	0	0	0	0	0	0	0	0	0	0	1	18
Business Decisions and Market Structure		0	1	0	0	0	0	0	0	6	2	1	0	0	7	0	1	0	0	0	0	3	21
Market Failure		0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	6	0	0	0	0	4	11
Role of Government		0	1	0	0	0	0	0	1	0	1	0	0	0	0	0	8	3	0	0	0	4	18
Labor and Income		0	0	0	0	0	0	0	0	0	2	0	0	13	0	0	0	0	0	0	0	6	21
International Trade		0	0	0	0	6	6	2	0	0	0	0	0	0	0	0	0	1	1	0	0	3	19
Technology		0	0	0	0	0	0	0	0	1	0	0	0	0	0	2	0	0	0	0	0	6	9
Gross Domestic Product (GDP)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8	0	0	3	11

TABLE 2: CROSSWALK SUMMARY (CONT'D)

New Standards	Old Standards	Scarcity	Decision-Making	Allocation	Incentives	Trade	Specialization	Markets and Prices	Role of Prices	Comp. and Market Struct.	Institutions	Money and Inflation	Interest Rates	Income	Entrepreneurship	Economic Growth	Government Market Failure	Government Failure	Econ. Fluctuations	Unemployment & Inflation	Fiscal & Monetary Policy	New Added	TOTAL
Unemployment		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	9	0	2	11
Money		0	0	0	0	0	0	0	0	0	0	8	0	0	0	0	0	0	0	0	1	2	11
Banks, Interest Rates, and Financial Markets		0	0	0	0	0	0	0	0	0	2	0	9	0	0	1	0	0	0	0	0	4	16
Inflation		0	0	0	0	0	0	0	0	0	0	4	0	0	0	0	0	0	0	3	0	6	13
Growth and Fluctuations		0	0	0	0	0	1	0	0	0	0	0	0	0	1	8	1	0	4	0	0	6	21
Monetary Policy		0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	3	6	10
Fiscal Policy and Taxation		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6	0	0	0	5	1	12
Dropped		0	2	2	1	1	0	1	0	1	0	1	1	2	1	0	0	2	0	0	1	0	16
TOTAL		18	13	10	10	12	13	12	9	9	8	14	10	15	10	13	22	6	13	12	10	62	301

The Standards and Benchmarks

STANDARD 1: SCARCITY AND ALLOCATION

Productive resources are limited. Therefore, people must choose which goods and services they want and which to forego, and they must also select a method for how to allocate these goods and services.

Design of Standard

E: Elementary students are introduced to wants and how goods and services satisfy those wants. The four types of resources are defined, with entrepreneurship included as a resource. Students are introduced to the concept of scarcity. They learn that due to scarcity, they cannot have everything they want and therefore, decisions need to be made in some manner.

M: Middle school students delve more deeply into the concept of scarcity and the implication of scarcity in terms of the types of choices that scarcity forces society to make. The different types of economic systems societies might use are presented.

H: High school students are given criteria by which to judge economic systems and policies and are introduced to how scarcity of resources leads to a trade-off between the goods a country produces.

Notes: The standard is found at the top of each section. The standard is followed by a narrative on how the standard is designed, in other words, the guiding ideas behind the benchmarks for each level. Benchmarks are provided for three levels: elementary, middle, and high school. The benchmarks do not provide a specific grade level; that determination should be done by local teachers, schools, and districts. The final determination of grade level will vary depending on the students as well as the overall design of the school or district plans.

E: ELEMENTARY STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
1.E.1	Economic wants are desires that can be satisfied by consuming a good (an object) or a service (an action).	Match a list of wants with the correct example of a good or service that satisfies each want.
1.E.2	Goods are things that people use to satisfy their wants. People can touch, see, consume, or play with goods. Services are things that people do for other people.	Identify examples of goods used in the classroom; identify the service provided by a teacher, hair stylist, mechanic, or other producers in the community.
1.E.3	Producers are people who make or grow goods and provide services. Consumers are people who buy or use goods and services.	Identify people who are consumers and give examples of goods or services they use or buy. Identify people who are producers and give examples of goods and services they make or grow. Give examples of when they have been consumers and producers.
1.E.4	Productive resources are the capital resources, natural resources, and human resources available to make goods and services. Entrepreneurs combine resources to create new businesses and, therefore, are considered a separate productive resource.	Identify the resources required to begin a business the student would like to own, making sure to include each category of resources.
1.E.5	Capital resources are goods that are produced and used to make other goods and services. They can be used over and over again in the production process. They are also called capital goods or physical capital.	Draw a picture representing a capital resource used at school. Identify examples of capital resources used to produce a good or service in their community.

Benchmark	Students will know that:	Students will use this knowledge to:
1.E.6	Natural resources are things that occur naturally in and on the earth that are used to produce goods and services. These resources are present without human intervention.	Identify a natural resource needed to make a good such as lemonade or an apple pie.
1.E.7	Human resources, also called labor resources, are the people who do the mental and physical work to produce goods and services.	Draw pictures representing themselves as producers. Identify examples of human resources used in the production of education at their school or in the community.
1.E.8	Entrepreneurs are individuals who are willing to take risks in order to develop new products and start new businesses. They seek opportunities, enjoy working for themselves, and accept challenges.	Use a variety of items like paper clips, plastic lids, pipe cleaners, etc., to create a new product and develop an advertising campaign for the new product. After doing so, explain the advantages and disadvantages of being an entrepreneur.
1.E.9	Human capital refers to the quality of labor resources, which can be improved through investments in education, experience, practice, training, and health.	Explain how going to school helps them improve their human capital. Give examples of how adults such as athletes, musicians, construction workers, dentists, and teachers improve their human capital.
1.E.10	Intermediate goods are goods made by people and used to produce another good or service, becoming part of that good or service.	Identify intermediate goods used in the production of a good such as a shirt or a cake, or a service such as house painting or pet grooming.
1.E.11	Scarcity is the condition that exists because there are not enough resources to produce all the goods and services to satisfy everyone's wants.	Explain what would happen if all the students wanted to be on the new swings at the same time during recess and did not want to use any of the other playground equipment.
1.E.12	People make choices because of scarcity.	Identify some recent choices they have made and explain why they had to make a choice.
1.E.13	People use different methods to allocate goods and services (by price, command, majority rule, contests, force, first-come/first-served, sharing equally, lottery, personal characteristics, and others). Each method has its advantages and disadvantages.	Suggest different methods of allocating various goods and services, such as cookies, student time on playground equipment during recess, class jobs, class offices, and prizes for games. Provide advantages and disadvantages of each method.

M: MIDDLE SCHOOL STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
1.M.1	Scarcity exists because human wants for goods and services exceed the quantity of goods and services that can be produced using all available resources. Scarcity affects individuals, businesses, governments, and societies.	Role-play a local school board meeting called to allocate \$300,000 in its budget. The school board would like to buy two new school buses at \$150,000 each, install rubber mulch to improve playground safety at four elementary schools for \$75,000 each, and update technology at its two middle schools for \$150,000 each. Explain why a choice must be made, decide how the school board should allocate the money in its budget, describe the trade-offs made, and identify the opportunity cost of the decision.
1.M.2	Scarcity requires the use of some distribution method to allocate goods, services, and resources, whether the method is selected explicitly or not.	Describe the distribution methods used to allocate various goods, services, and resources such as parking spaces, access to a new drug treatment for cancer, seats on a bus, milk, and tickets to a popular art exhibit. Explain why a distribution method is necessary.
1.M.3	People in all economies—traditional, command, market, and mixed—must address three questions: What goods and services will be produced? How will these goods and services be produced? Who will consume them?	Explain how Native American tribes and the American colonists answered the three basic economic questions.
1.M.4	One essential difference between a market economy and a command economy is how resources are allocated. In a market economy, the allocation of resources results from individuals making decisions as buyers and sellers, while in a command economy, a central authority decides how resources are allocated.	Compare the advantages and disadvantages of a market system and a command system and identify the system that is closest to the economic system in the United States.
1.M.5	National economies vary in the extent to which they rely on government directives (central planning) and signals (prices) from private markets to allocate scarce goods, services, and productive resources.	Compare the different types of allocation methods in an historical setting such as Athens and Sparta or the Aztecs and Incas and in the current economies of North Korea and the United States.

H: HIGH SCHOOL STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
1.H.1	Resources are scarce, so producing more of one good or service means producing less of another good or service.	Explain what a country that produces only two goods must do in order to produce more of one of those goods, assuming the total quantity of resources and the level of technology remains the same in the country.
1.H.2	All economic systems strive to achieve a set of broad social goals that include economic freedom, efficiency, equity, growth, security, and stability. Societies design their economic systems based on how they prioritize the six broad social goals. The success of the system in achieving the prioritized goals determines how well it improves the quality of life for its citizens.	Analyze data such as real GDP, GDP/capita, unemployment rate, infant mortality rate, literacy rate, and the Gini index to evaluate the success of various countries in achieving various broad social goals and improving the quality of life of their citizens.

STANDARD 2: DECISION-MAKING

People usually respond predictably to positive and negative incentives. Effective decision-making requires comparing the additional costs of alternatives with the additional benefits.

Design of Standard

E: In elementary school, students learn about the benefits and costs of making choices. They learn how positive and negative incentives influence their choices and behaviors, and how different people can make different choices given the same circumstances.

M: In middle school, the presentation of decision-making is refined by adding the ideas of marginal cost and marginal benefit. Students learn that decisions are made by comparing the marginal cost and the marginal benefit of doing something. Finally, they learn that monetary and non-monetary incentives exist and that decisions may have long-term consequences.

H: In high school, the scope of decision-making is expanded to include the various roles that individuals play in the economy as well as other decision-makers such as firms and governments. Caveats to decision-making such as unintended consequences, the costs and benefits of an allocation system, and sunk costs are covered. Finally, basic behavioral economics findings are introduced to illustrate examples where individuals may not make the best decisions.

E: ELEMENTARY STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
2.E.1	Because of scarcity, something is given up whenever a choice is made.	From a list of three toys, rank order their preferences, state their first choice, and identify the second toy as what is given up.
2.E.2	A cost is what you give up when you decide to do something. A benefit is the gain a person receives when they decide to do something.	List the costs (what you give up) and benefits (what you gain) of buying a pet.
2.E.3	The opportunity cost of an activity is the value of the best alternative that would have been chosen instead. It includes what would have been done with the money spent, the time, and other resources used in undertaking the activity.	Describe a situation that requires a choice among several alternatives. Decide which they would choose and then identify the opportunity cost of that decision.
2.E.4	The evaluation of choices and opportunity costs is subjective; such evaluations vary depending on individual preferences, cultural backgrounds, and societal norms.	Compare solutions to a common problem, such as where to go on a class trip, and explain why solutions and opportunity costs differ among students.
2.E.5	Many choices involve doing a little more or a little less of something; few choices are “all-or-nothing” decisions.	Decide how the school should spend \$4,800 to buy new playground equipment. Their class voted and would like to buy four swing sets (\$1,200 each), three slides (\$1,200 each), and three jungle gyms (\$600 each). Explain what they must give up to get more of some and less of other equipment.

Benchmark	Students will know that:	Students will use this knowledge to:
2.E.6	Incentives are factors that motivate or influence behavior; positive incentives encourage actions by awarding benefits, while negative incentives discourage actions by imposing costs. Both positive and negative incentives affect people’s choices and behaviors.	<p>Give examples of negative incentives that discourage inappropriate classroom behavior.</p> <p>List examples of positive incentives that encourage appropriate behavior at home.</p>
2.E.7	People’s attitudes about specific positive or negative incentives differ because people have different values. Therefore, an incentive can influence different individuals in different ways.	Identify the incentives that would encourage them to read a book, to return their library books on time, to repay money they borrow from a friend for lunch, to do extra credit work, and to complete their homework assignments on time. Explain why various students respond differently to incentives to do these things.

M: MIDDLE SCHOOL STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
2.M.1	Making rational decisions involves trading off the expected value of one opportunity against the expected value of its best alternative.	Determine criteria for selecting a backpack and identify the trade-offs made when selecting one backpack over another.
2.M.2	Marginal benefit is the change in total benefit (additional benefit) resulting from an action. Marginal cost is the change in total cost (additional cost) resulting from an action.	Identify the marginal benefit and the marginal cost of consuming additional energy bars.
2.M.3	To determine the ideal level of consumption of a product, people must compare the additional benefits with the additional costs of consuming additional units.	Brainstorm ways they might spend \$60 if they received it as a birthday gift. After listing their ideas, explain what they would actually choose to spend the money on, considering the \$60 limit and what would bring them the most satisfaction.
2.M.4	As long as the marginal benefit of an activity exceeds the marginal cost, people are better off doing more of it; if the marginal cost exceeds the marginal benefit, they are better off doing less of it.	Explain how many workers a pizza business should hire if the wage is \$20 per hour and hiring one worker generates \$100 in revenue per hour, hiring two workers generates a total of \$140 per hour, and hiring three workers generates a total of \$150 an hour.
2.M.5	Incentives can be monetary, non-monetary, or both. Changes in incentives usually cause people to change their behavior in predictable ways.	<p>Identify the monetary and non-monetary incentives related to taking a driver's education class, completing chores at home, taking a part-time job, and obeying traffic laws.</p> <p>Predict how students' study habits will change if the school's grading system switches from letter grades to satisfactory/unsatisfactory grading or no grades.</p>
2.M.6	The choices people make have both present and future consequences.	Analyze the consequences of choosing to drop out of school and identify when those consequences occur.
2.M.7	Many people tend to be impatient, choosing immediate consumption over saving for the future.	Explain the benefits of having saved an allowance for an extended period of time and why many students do not manage to save.

H: HIGH SCHOOL STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
2.H.1	Acting as consumers, producers, workers, savers, investors, and citizens, people respond to incentives in order to allocate their scarce resources in ways that provide them the highest possible net benefits.	Explain how and why consumers, producers, workers, savers, investors, and citizens might respond to an increase in the minimum wage, an increase in sales tax, and an increase in interest rates.
2.H.2	Choices made by individuals, firms, or government officials are constrained by the resources they can use.	Explain how income constraints and opportunity costs influence high school seniors' post-secondary decisions and what the potential long-term impacts of their choices are on their future careers and personal outcomes.
2.H.3	Decision-making within different groups, such as small and large firms, labor unions, educational institutions, and nonprofit organizations involves different goals and 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.	Compare and contrast the incentives an individual might face in serving as an elected official, the owner of a small business, the president of a large company, an hourly worker at an auto manufacturer, and the director of a local private charity office in the aftermath of hurricane devastation.
2.H.4	Choices made by individuals, firms, or government officials often have long-term unintended consequences that can partially or entirely offset or supplement the intended effects of the decision.	Explain how a high school senior's decision to work 20 hours per week during the school year could reduce their lifetime income. Also, explain why new highway construction may not reduce highway congestion.
2.H.5	Evaluating the benefits and costs of various allocation methods to select the most suitable one for a specific problem can lead to better individual allocations and a more effective overall allocation system.	Evaluate the benefits and costs of using different allocation methods such as rationing, lottery, achievement-based, need-based, force, first-come/first-served, price, and personal characteristics to resolve a scarcity problem. Then, assess the effectiveness of various methods for allocating organ transplants, hunting and fishing licenses, elective offices, and time with a parent.
2.H.6	Costs that have already been incurred and benefits that have already been received are sunk and irrelevant for decisions about the future.	Explain why the \$100 you originally paid for a concert ticket should not influence the price you are willing to accept when reselling it, should you be unable to attend due to a family emergency.
2.H.7	While responses to incentives are usually predictable, because people normally pursue their self-interest, most individuals put some weight on the welfare of others.	Explain why some people decide to give to charities.

Benchmark	Students will know that:	Students will use this knowledge to:
2.H.8	Risk refers to the uncertainty of outcomes associated with economic decisions. It encompasses favorable and unfavorable outcomes such as gains and losses. Risk arises due to different factors, including market fluctuations, policy changes, technological advancements, and natural disasters.	Research recent news articles related to risks faced by individuals, businesses, or governments. Identify the type of risk (market risk, financial risk, regulatory risk, technological risk, or environmental risk) and explain how decisions taken by individuals, businesses, and governments were impacted by these risks.
2.H.9	People sometimes fail to treat gains and losses equally, placing extra emphasis on losses, which can affect people’s attitudes and decisions.	Explain why some people might view \$100 found on the street differently than \$100 that has been lost out of one’s pocket.
2.H.10	Individuals tend to rely heavily on the first piece of information offered (anchoring) when making subsequent decisions.	<p>Explain why car dealers post high prices on their cars when they are willing to sell them for less.</p> <p>Explain why when haggling over the price of a good, the seller starts at a price higher than what the seller is actually willing to accept.</p>

STANDARD 3: SPECIALIZATION AND EXCHANGE

Specialization and the division of labor allow people to benefit from voluntary exchange. Voluntary exchange occurs only when all participating parties expect to gain.

Design of Standard

E: Elementary students learn about the benefits of specialization and the division of labor. They understand that exchange becomes necessary when people have specialized in a skill. Barter is identified as an inefficient way to trade and how money makes trading easier is discussed in Standard 13.

M: By middle school, students are expected to understand that both buyers and sellers anticipate benefiting from exchange.

H: The high school student learns how transaction costs may limit trade. The role of markets is outlined in Standard 4.

E: ELEMENTARY STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
3.E.1	Most people produce and consume goods and services.	Give an example of a good a farmer or florist produces and a good or service they consume.
3.E.2	Economic specialization occurs when people concentrate their production on fewer varieties of goods and services than they consume.	Name several adults in the school or community who specialize in the production of a good or service (plumber, law enforcement officer, teacher, hair stylist, etc.) and identify other goods and services that these individuals consume but do not produce for themselves.
3.E.3	Division of labor occurs when the production of a good or service is broken down into numerous separate tasks, with different workers performing each task.	Participate in a simulated assembly line and identify the separate operations and the different tasks involved. Identify examples of goods produced in the U.S. using division of labor.
3.E.4	Specialization and division of labor usually increase the productivity of workers.	Work individually as a craftsperson to produce a product alone and then work as a member of a small group to produce the same product. Explain why more products usually are produced when each member of the group performs a particular task in making the good.
3.E.5	People specialize in producing what they do best and then exchange their income for goods and services they do not produce.	Describe how a specialist's life such as a long-haul truck driver, accountant, lawyer, or childcare worker would change if they were unable to exchange their income to buy goods or pay for services needed.

Benchmark	Students will know that:	Students will use this knowledge to:
3.E.6	Greater specialization leads to increasing interdependence among producers and consumers.	Compare the extent of specialization and interdependence between two families: an American farm family in the 19th century that had to produce most of their own food, clothing, and tools, and a contemporary family that operates a ranch that raises cattle exclusively.
3.E.7	Exchange is trading goods and services with people for other goods and services or for money.	Identify whether purchasing items at a store, trading sports cards, or doing chores for allowance are examples of monetary or barter exchanges.
3.E.8	The oldest form of exchange is barter: the direct trading of goods and services between people. Barter is an inefficient form of exchange.	<p>Give an example of a barter exchange they have made in the school cafeteria.</p> <p>Explain why barter exchanges are sometimes difficult due to a lack of coincidence of wants and the time needed to make multiple trades or to find a trading partner.</p>
3.E.9	People voluntarily exchange goods and services because they expect to be better off after the exchange. This may also include the more informal exchanges of favors and courtesies.	<p>Describe a trade they have made, such as one with trading sports cards, stickers, or lunch desserts, and explain why they agreed to trade.</p> <p>Explain why an individual might offer to run an errand for a neighbor or a student might agree to do a sibling's chore so they can visit a friend.</p>

M: MIDDLE SCHOOL STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
3.M.1	Voluntary exchange among people or organizations gives consumers a broader range of choices in buying goods and services.	List where items they use such as clothes, shoes, and electronics are produced, and then describe how their daily lives would be different if people in the United States did not trade with people in other countries.
3.M.2	When consumers buy something, they value it more than it costs them; when people sell something, they value it less than the payment they receive.	Describe a recent monetary transaction that has taken place in a store or between neighbors. Identify who is the buyer and who is the seller and explain why each party was willing to trade.

H: HIGH SCHOOL STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
3.H.1	Transaction costs are costs (not to be confused with the price of the good or service) that are associated with the purchase of a good or service, such as the cost of locating buyers or sellers, negotiating the terms of an exchange, and ensuring that the exchange occurs on the agreed upon terms. When transaction costs increase, trade decreases.	Identify transaction costs associated with the purchase of a good or service and explain why each of the following lower transaction costs: no shipping fees when ordering online, using payment apps on a phone, websites that objectively review and compare products.

STANDARD 4: MARKETS

The interaction between buyers and sellers determines the market price and allocates scarce goods and services. Buyers and sellers make decisions based, in part, on market prices.

Design of Standard

E: Elementary school students learn that markets determine the prices of goods and how people change their behavior when prices change.

M: In middle school, students are formally introduced to the concepts of supply and demand and what is meant by an equilibrium price. They are presented with a situation where the market price is not in equilibrium and learn how equilibrium is restored. Finally, they discover that a change in the price of one good can impact the market for another good.

H: In high school, students learn about shortages and surpluses, and how supply and demand changes impact the market price. Finally, the concept of the price elasticity of demand is introduced.

E: ELEMENTARY STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
4.E.1	A market exists whenever buyers and sellers exchange goods or services.	Identify items they purchased in online marketplaces and at a local market (e.g., grocery store or school fair) and describe the differences between digital and physical markets.
4.E.2	A price is what people pay when they buy a good or service, and what they receive when they sell a good or service.	Identify one of their favorite items purchased with their own money and what price they paid, or what they charged when working for others (e.g., chores around the house, yard work for a neighbor).
4.E.3	Higher prices for a good or service provide incentives for buyers to purchase less of that good or service, and for producers to make or sell more of it. Lower prices for a good or service provide incentives for buyers to purchase more of that good or service, and for producers to make or sell less of it.	<p>Provide an example of a good that they did not purchase (or their parents or caregivers would not purchase for them) because it was too expensive and predict how low the price would have to drop before they would be able to buy it.</p> <p>Decide if they would take out the garbage, babysit a sibling, or do some other chore for \$1 and, if not, decide at what price they would be willing to do the chore.</p>

M: MIDDLE SCHOOL STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
4.M.1	Market prices are determined through decisions of buyers and sellers as they interact in the marketplace.	Participate in an in-class market activity to illustrate how sellers (supply) and buyers (demand) come together to determine market price.
4.M.2	In a market economy, prices determine the allocation of scarce goods and services by influencing production and consumption choices.	Explain why during busy times ride-share apps charge higher prices for a ride and explain how the price change impacts the decisions of those demanding rides and those supplying rides.
4.M.3	The law of demand states that as the price of a good or service rises, people seek substitutes, reducing the quantity demanded; quantity demanded increases as price decreases, assuming other demand factors remain constant.	Participate in a classroom “snack shop” where students can “purchase” snacks with tokens. In the “snack shop,” the prices of popular snacks like chips or cookies are adjusted, and changes in quantity demanded are recorded. Identify and discuss which alternative snacks they choose as prices changed, and explain why preferences for substitutes might differ among them.
4.M.4	The law of supply states that as the price of a good or service rises, producers are willing to sell more, increasing the quantity supplied; quantity supplied decreases as price decreases, assuming other supply factors remain constant.	Describe what jobs they do or would be willing to do for pay. After being given a list of hourly wages, tell how many hours they would be willing to work at each wage.
4.M.5	The equilibrium price, also called the market-clearing price, is the price at which the quantity supplied equals the quantity demanded.	Identify the equilibrium price from a supply and demand schedule.
4.M.6	If a price is above the market-clearing price, it will eventually fall, causing sellers to produce less and buyers to purchase more; if it is below the market-clearing price, it will eventually rise, causing sellers to produce more and buyers to purchase less.	Explain why ticket prices increase dramatically for many popular concerts and sporting events when resold on websites and why the price of oil decreased at the outset of the COVID-19 pandemic.
4.M.7	Markets are interrelated; changes in the price of one good or service can lead to changes in prices of many other goods and services.	Explain how an increase in the price of gasoline might impact the price of electric cars.

H: HIGH SCHOOL STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
4.H.1	The market price and quantity sold is determined by the interaction of supply and demand, and both market price and quantity can be affected by government policies.	Explain how a tax on drinks with added sugar would impact the price of those drinks or what happens to the price of a ride-share when a city limits how many ride-share drivers are allowed to work at a given time.
4.H.2	A shortage occurs when buyers want to purchase more than producers want or are able to provide, which puts an upward pressure on price. A surplus occurs when producers want to sell more than buyers want or are able to purchase, which puts a downward pressure on price.	<p>Explain why the development of artificial intelligence (AI) could contribute to a global shortage of semi-conductors used in computers.</p> <p>Explain why the COVID-19 pandemic and the work-from-home movement led to a surplus of commercial office space in many large cities.</p>
4.H.3	Demand for a product changes when there is a change in consumers' incomes, preferences, expectations, the prices of related products, or the number of consumers in a market.	Predict the change in the demand for attending college if graduating high schoolers decide to go straight into the workforce, if teenagers start to believe college is not worth it, if the government starts subsidizing training for careers in fields in which college degrees are not required, or the number of high school graduates increases.
4.H.4	Supply of a product changes when there is a change in the cost of the productive resources used to make the product, the technology used to make the product, the expected profit opportunities available to producers from selling other products, or the number of sellers in a market.	Predict the change in the supply of electric vehicles when rare minerals used to make batteries become more expensive, when new state-of-the-art machines are used in the vehicle production process, when the price of gas-powered vehicles increases, or when more car manufacturers begin producing electric vehicles.
4.H.5	Changes in supply or demand for a good or service cause the prices of the good or service to change; as a result, buyers and sellers adjust their purchase and sales decisions.	<p>Explain why restaurants might react to an increase in the minimum wage and how consumers would respond to changes made by the restaurant.</p> <p>Explain why consumers might react to a new healthy-eating trend that emphasizes home cooking and how restaurants might respond to changes made by consumers.</p>
4.H.6	Price elasticity of demand measures how responsive quantity demanded is to a change in price. Demand for a good is described as more elastic when the percentage change in quantity demanded is relatively larger for a given percentage change in price.	Predict which one of the following pairs of goods would have a more elastic (more responsive) change in quantity demanded if price went up by 50%: movie tickets vs. insulin, automobiles vs. salt, goods with many substitutes vs. goods with no substitutes.

STANDARD 5: BUSINESS DECISIONS AND MARKET STRUCTURE

Businesses typically make decisions to maximize profit. Competition among sellers usually lowers costs and prices for buyers. A lack of competition in some types of markets can lead to higher prices and less-favorable outcomes for buyers.

Design of Standard

E: In elementary school, students learn that businesses use resources to produce goods and services, and that buyers and sellers interact in the market. Entrepreneurship is also introduced.

M: In middle school, students learn about the idea of profit and how businesses and consumers interact. Students learn more about how businesses are legally organized and their goals. Students learn how the behavior of buyers and sellers affects market outcomes. Students then explore the costs and benefits of being an entrepreneur.

H: High school students, while they do not learn about specific market structures, investigate why competition may vary across different markets. They also learn how businesses decide how much to produce and why competition prevents businesses from influencing the market price. Students learn why some markets have less competition, with concepts such as network effects being introduced.

E: ELEMENTARY STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
5.E.1	Producers use natural resources, human resources, and capital resources to make to make goods and services.	Identify a good they can make and sell (e.g., friendship bracelets) and determine what resources they need to produce 20 units, including how many hours of labor.
5.E.2	Competition exists when there are multiple buyers and sellers of similar products.	Explain whether the opening of a second vendor selling the same product at a farmers market is good for buyers, sellers, or both.

M: MIDDLE SCHOOL STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
5.M.1	Businesses earn profits when the revenues they receive from selling their products are greater than the costs of production, and they incur losses when revenues do not cover the costs.	Analyze simple profit-and-loss statements and determine which sellers earned profits. Identify a company that recently reported a financial loss and provide an explanation for this loss.
5.M.2	Businesses acquire resources to produce goods and services because they expect to earn profits.	Provide an example of how an unexpected event or natural disaster led a business to change their production in anticipation of either higher or lower profits.
5.M.3	Incorporation enables firms to accumulate financial capital for large investments and limits stockholders' liability to their ownership share, reducing investor risk.	Identify a firm that recently incorporated (called an initial public offering) and research why the firm made this choice.

Benchmark	Students will know that:	Students will use this knowledge to:
5.M.4	While profit is the primary goal of most firms, some firms make decisions based in part on other goals such as social or ethical concerns. Some organizations do not have profit as a goal; a nonprofit organization, for example, serves the public good.	Identify a firm that is known for their social or ethical concerns and research why they have focused on those concerns.
5.M.5	When there are many buyers and many sellers selling the exact same product, individual buyers and sellers may have no influence on the market price. A firm whose product is somewhat different from that of other firms can set their price.	Identify a current stock price and explain what would happen if a seller tried to sell that stock at a higher price or a buyer tried to buy it at a lower price. Identify which of these firms would be able to set its own price: a farmer selling corn or a popular theme park pricing admission.
5.M.6	When there is less of a good than what buyers want to buy at the current price, competition among buyers results in a higher price. When there is more of a good than what buyers want to buy at the current price, competition among sellers can result in lower prices.	Explain why the price of bottled water increases after a natural disaster that leaves tap water unsafe to drink.
5.M.7	Sellers compete based on price as well as non-price features such as product quality, customer service, product design and variety, and advertising.	Give examples of price and non-price competition in the athletic shoe market.
5.M.8	Entrepreneurship is the process of combining human, natural, and capital resources in new ways. Entrepreneurs earn income in the form of profits, which is their reward for taking the risks of starting and operating businesses.	Research examples of entrepreneurs and new businesses in local communities or in different industries and identify the risks these entrepreneurs took to earn profits.
5.M.9	In addition to profits, entrepreneurs are incentivized by the opportunity to be their own boss, the chance to achieve recognition, and the satisfaction of creating new products or improving existing ones. Being an entrepreneur also has disincentives, such as the possibility of financial losses, intense work hours, and the stress of running a business.	Read short biographies of several entrepreneurs of their choice, identify the motivations and challenges they faced, and describe the financial and non-financial incentives and disincentives that encourage or discourage people from pursuing the entrepreneurial path.

H: HIGH SCHOOL STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
5.H.1	To maximize profit and determine the profit maximizing level of output and resources, producers must compare the marginal benefits and marginal costs of producing slightly more against producing slightly less.	Explain what would happen if the marginal cost of producing a good is \$10 and the market price of the good is \$8.
5.H.2	The level of competition in an industry may be affected by how easily new producers can enter the industry and sell their product.	Identify firms with no, or few, competitors and explain why they have little or no competition.
5.H.3	Prices in markets dominated by only a few firms, or in the case of monopoly only one firm, tend to be higher due to the lack of competition.	Identify an attempted merger between two firms that the government did not allow because of concerns that less competition would cause prices to get too high in that industry.
5.H.4	Business decisions are influenced by tax, regulatory, and education policies, as well as policies to support research and development.	<p>Explain how government-sponsored scholarships for engineering majors would affect technology firms.</p> <p>Explain how stricter or looser Food and Drug Administration (FDA) regulations around bringing new drugs to the market would change the decisions of pharmaceutical companies.</p>
5.H.5	Competition may be undesirable when a single producer can supply the market at a lower cost than multiple producers. The government may decide to regulate the price, output, and quality of the good in this type of market. In some cases, the government may directly provide the good or service.	Identify the suppliers of water, natural gas (if applicable), and electricity to students' homes. Explain why, in most cases, only one firm provides these services to their homes and determine if the government supplies any of them.
5.H.6	Network effects occur when the value of a product or service increases as more people use it.	Name examples of electronic services they use that have more value because a lot of people use the same service.
5.H.7	Industries with products that have network effects, have control of key resources, or own property rights tend to have fewer firms and, therefore, less competition.	<p>Explain what might happen to mobile phone sales if the students' cell phones could text or call only other people with the same cell phone service provider.</p> <p>Identify a firm that is a monopoly because of control of a key resource or because of a patent or copyright.</p>

STANDARD 6: MARKET FAILURE

Markets sometimes fail to reflect the full economic costs and benefits of producing goods, leading to the over- or under-production of goods and services. Additionally, a lack of competition can lead markets to under-produce goods and services.

Design of Standard

- E:** Elementary school students are introduced to the concepts of externalities and public goods.
- M:** Middle schoolers learn that externalities and public goods cause problems in the private market.
- H:** High school students are formally introduced to the idea of efficiency and learn how externalities, public goods, noncompetitive markets, and lack of property rights can lead to inefficient outcomes.

E: ELEMENTARY STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
6.E.1	The production of goods or services by businesses can sometimes affect people who do not work at the business or buy the product the business produces.	<p>Explain how a factory that produces house paint and pollutes the environment around the factory affects those who do not work at the factory or buy the house paint.</p> <p>Explain how the pleasant smells from a bakery can affect people who do not purchase the bakery’s goods.</p>
6.E.2	Public goods and services are those that can be enjoyed by everyone at the same time, and once they are provided, people cannot be prevented from using them—even if they have not paid. Private goods are those that benefit the person buying them and people can’t use them unless they pay for them.	Categorize a list of goods and services into public goods (such as national defense, flood protection, and clean air) and private goods and services (such as pizza, automobiles, and movie streaming services). Explain why each good or service was placed in the appropriate category.

M: MIDDLE SCHOOL STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
6.M.1	If businesses cannot prevent nonpaying consumers from using a good or service they produce (as with a public good), they will earn less revenue and not have an incentive to produce it. Consumers have an incentive to free ride, which means to use the good without having to pay.	Explain why national defense is not provided by a private business that charges a subscription fee and predict what consumers might do if asked to pay a subscription fee once a national defense system was put in place.
6.M.2	An externality exists when the production or consumption of a good has a positive or negative effect on third parties who are not involved with the production or consumption of the good. In these cases, the producers or consumers of the good often are ignoring the effects their actions have on those third parties.	<p>Explain why the harm caused by cigarette smoke to a smoker is not an externality, but the harm to a person near the smoker is an externality.</p> <p>Explain why the release of carbon dioxide by power plants is an example of a negative externality, and a person being vaccinated is an example of a positive externality.</p>
6.M.3	Firms who can influence the price of their goods, such as monopolies, can reduce their output to raise the price of their goods and increase profits.	Explain why the sole airline serving a small city might attempt to increase its profits by reducing the number of flights.

H: HIGH SCHOOL STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
6.H.1	A market is allocatively efficient when it produces the quantity of a good that results in the greatest overall net benefit for society. The resulting equilibrium quantity balances the marginal benefits to society of consuming the good against the marginal costs to society of producing the good. Competitive markets with well-defined property rights for private goods that produce no externalities tend to be allocatively efficient.	Explain why this scenario is likely inefficient: In a country where people prefer corn over peas, corn is produced by a single producer, while peas are produced in a competitive market.
6.H.2	Market failure occurs when markets allocate resources inefficiently. Causes of market failure include: unclear or unenforced property rights, externalities associated with the production or consumption of a product, public goods, or a lack of competition.	Explain why the following examples result in market failure: international waters for fishing, air pollution, national defense, and monopolies.
6.H.3	Property rights provide incentives for the owners of goods or resources to take care of them. Resource owners do this by comparing the benefits of current use with the value of preserving the resources for future needs.	Analyze how issuing property rights in certain parts of the ocean may affect the size of fish harvests in those parts of the ocean.
6.H.4	When externalities occur, the market price of a good does not reflect all the economic costs or benefits associated with the production or consumption of the good. If the price excludes some benefits of a good, too little of the good is produced and consumed. If the price excludes some costs of a good, too much of it is produced and consumed.	<p>Defend the position that relying solely on private schools for K–12 education could lead to less education than society would ideally want.</p> <p>Defend the position that allowing firms to pollute the air as much as they would like could lead to more goods being produced than society would ideally want.</p>
6.H.5	The quantity of a public good produced in a private market is less than the efficient level because it fails to account for the benefits received by free riders.	Explain why national defense paid for by voluntary subscription fees will result in less national defense than is efficient.
6.H.6	In a noncompetitive market, firms produce less of a good than in a competitive market because they can raise prices by limiting output.	Explain how the Organization of the Petroleum Exporting Countries (OPEC) tries to influence the world price of oil and what would happen if the countries of OPEC decided to compete against each other.

STANDARD 7: ROLE OF GOVERNMENT

Governments intervene in markets for a variety of economic reasons, including improving competition; providing public goods, like national defense; controlling pollution; defining and enforcing property rights; and helping those in need.

Design of Standard

E: Elementary school students learn that governments tax or borrow money to pay for goods and services that they provide to society.

M: Middle school students learn that taxes or subsidies might affect the output of goods and services.

H: High school students learn that governments pursue different economic goals and that policymaking often requires trade-offs among the goals. High schoolers are given examples of how government policies are used to encourage competitive markets, and how governments can correct for externalities or public goods. Finally, students learn that governments may pursue goals other than correcting inefficiencies, for example, redistributing income. The impact of economic policies is then examined, noting that sometimes the cost of an intervention may exceed the benefits, and those who construct policies may not be incentivized to create optimal policies.

E: ELEMENTARY STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
7.E.1	Governments often provide certain kinds of goods and services in a market economy.	Brainstorm a list of goods and services (such as police protection, upkeep of roads, parks, etc.) not usually privately produced.
7.E.2	Governments pay for the goods and services they use or provide by taxing or borrowing.	Explain how a local school district would raise the money to pay for a new elementary school.

M: MIDDLE SCHOOL STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
7.M.1	Governments may decide to provide an alternative to private markets by supplying certain goods and services. Not all individuals will bear the same costs or share the same benefits of those policies.	Explain why local governments provide public education to children and identify who pays for public education and who benefits from the education provided by the public schools beyond the children who receive the education.
7.M.2	Governments may influence consumer and producer behavior by imposing taxes or providing subsidies on goods or services. Taxes on a good reduce its market quantity, while subsidies increase its market quantity.	Predict how the following taxes might change consumer or producer behavior: income tax, cigarette tax, tax on a firm's pollution, an import tariff, a toll on a road during rush hour.

H: HIGH SCHOOL STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
7.H.1	Governments enact economic policies or programs to achieve various goals, such as efficiency, equity, stability, security, freedom, and growth. However, policymakers often face trade-offs between these goals when deciding which policies or programs to pursue.	<p>Explain why breaking up a monopoly may improve efficiency but interfere with economic freedom.</p> <p>Explain why a price ceiling on apartments (rent controls) may work to improve equity, but may result in inefficiency.</p>
7.H.2	To determine the optimal level of a public policy program, voters and government officials should compare the marginal benefits and marginal costs of providing a little more or a little less of the program's services. In some cases, the best option may be no government intervention at all.	<p>Brainstorm ideas for making your school building more attractive. Use the concepts of marginal cost and marginal benefit to evaluate proposals and select the best proposal.</p>
7.H.3	An important role for government in the economy is to define, establish, and enforce property rights. Property rights to a good, service, or resource include the authority to exclude others from its use and the ability to transfer ownership or usage rights to others.	<p>Predict what would likely happen if the penalties for shoplifting were reduced.</p> <p>Predict what would happen to the number of musical artists if copyright laws were not enforced.</p>
7.H.4	Government laws establish the rules and institutions in which markets operate. These include such things as property rights, collective bargaining rules, laws about discrimination, and laws governing institutions such as marriage and families.	Explain how laws such as the Civil Rights Act of 1964, right-to-work laws, child labor laws, and parental-leave policies have affected labor markets.
7.H.5	In the United States, the federal government enforces antitrust laws and regulations to try to maintain effective levels of competition.	Explain why the Federal Trade Commission might oppose the purchase of one large corporation by its closest competitor. Explain what the effects might be on consumers, producers, and workers if the merger were allowed.
7.H.6	Governments may implement policies to improve outcomes caused by externalities or other circumstances that lead to market inefficiencies.	Explain why the government may put a tax on firms based on the amount they pollute.
7.H.7	Governments often provide public goods because private markets struggle to collect revenue from free riders—individuals who use the good or service without paying. Instead, governments can fund these goods by taxing those who benefit from them.	Explain why local governments provide flood protection that keeps a community safe as opposed to having a private firm build the protection and asking community members to pay for the service through a monthly subscription.

Benchmark	Students will know that:	Students will use this knowledge to:
7.H.8	Governments can correct for the over- or under-production or consumption of a product. Subsidies can help correct for inefficiently low output and taxes can help correct for inefficiently high output. In some cases, the government regulates output directly.	Explain why state and local governments use public money for elementary education, why gasoline is taxed, and why some polluting firms are taxed or regulated.
7.H.9	Governments often redistribute income directly when society is not satisfied with the income distribution resulting from markets; governments also redistribute income indirectly as unintentional effects of other government actions that affect prices or output levels for various goods and services.	Choose a government assistance program, explain the economic and moral reasons for the program, and then determine which groups in the economy benefit and which groups bear the costs. Describe who benefits and who does not from a state lottery whose funds pay for college scholarships.
7.H.10	Government-enforced price ceilings and price floors distort price signals and incentives to producers and consumers. Price ceilings below the market price can cause persistent shortages, while price floors above the market price can cause persistent surpluses.	Describe what is likely to happen if the government imposes price-gouging laws during a hurricane or a price floor on agricultural products such as corn.
7.H.11	Government policy to correct a market inefficiency is not justified economically if the cost of implementing it exceeds its expected benefits.	Decide whether the government should allocate \$200,000 to monitor and enforce regulations requiring a business with localized, minimally damaging pollution to reduce its emissions, and defend their position.
7.H.12	Political leaders have incentive to favor programs or policies that provide immediate benefits while deferring costs, and that spread costs widely across large groups while concentrating benefits on small, politically influential groups.	Explain who is helped by an import tariff on steel and who might be hurt. Explain why a political leader would support farm subsidies whose cost is paid by income taxes.

STANDARD 8: LABOR AND INCOME

Income for most people is determined by the market value of their labor and other productive resources they sell. A worker’s wage depends on their productivity and the price of the product they produce. Many factors affect the distribution of income in an economy, including differences in educational levels, experience, and career choices, as well as discrimination and government policies.

Design of Standard

E: In elementary school, students learn that people work to earn income.

M: In middle school, students learn that income from labor depends on worker productivity and the price of the goods the worker produces. They are also introduced to ways in which other resources can generate income.

H: In high school, students explore income distribution and factors that cause differences in income levels among households.

E: ELEMENTARY STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
8.E.1	Labor is a human resource that is used to produce goods and services.	Identify different types of labor (human resources) and the goods and services they produce in their community.
8.E.2	Income is the payment people earn for work they do. People spend, save, or pay taxes with their income.	Explain how people earn income and why they don’t spend all their income on buying goods and services.
8.E.3	People can earn income by exchanging their labor (physical or mental work) for wages or salaries.	Interview adults about why they work and explain the reasons people have for working. Explain the difference between a wage and a salary.

M: MIDDLE SCHOOL STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
8.M.1	A wage or salary is the price of labor; it usually is determined by the supply of and demand for that labor.	Participate in a market-simulation activity in which some students act as different employers and other students act as employees with various skills to negotiate and determine wage rates for labor or which workers should be hired. Explain what factors in the simulation determined a worker’s wage.
8.M.2	Employers are willing to pay wages and salaries to workers because they sell the goods and services that those workers produce at prices high enough to cover all costs of production, including wages and salaries.	Explain the impact of increased wages and salaries on a producer’s cost of production.

Benchmark	Students will know that:	Students will use this knowledge to:
8.M.3	Worker productivity is a key determinant of a worker's value to an employer. More productive workers produce more output and therefore can ask for higher wages compared to less productive workers.	<p>Evaluate resumes and profiles of job applicants based on their skills to predict which applicant would be most productive. For example, for a job requiring data analysis skills, consider if skills like knowledge of spreadsheets, statistical programs, and writing skills are more relevant to that job, while skills like softball pitching might not be.</p> <p>Explain why employers prioritize productivity factors in making hiring decisions.</p>
8.M.4	Workers allocate their time, a scarce resource, between work (earning income) and leisure (enjoying activities). People have different preferences over their "work-life balance" choices.	List all chores that could earn you money and other fun activities to do over the weekend. Create a schedule for the weekend and explain the opportunity cost of spending more time earning money.
8.M.5	People's incomes are influenced by the choices they make about education, training, skill development, careers, and other things that impact their productivity. People with lower levels of education and skills face fewer employment options and reduced earnings potential.	Identify marketable skills and explore how different educational paths and credentials can influence career opportunities and earning potential.
8.M.6	Workers' incomes are affected by the price of the goods and services they produce.	Predict how higher ticket prices during busy travel seasons might affect wages of airline employees. Explain how revenues generated from selling tickets at high prices can be used to pay overtime, hire more staff, and raise wages.
8.M.7	Natural resources, which include land, are used to produce goods and services, thus generating income for their owners through rent payments.	Examine how land ownership generates rental income for owners by looking up rental rates for residential, commercial, and agricultural properties using online tools.
8.M.8	Capital goods like machinery, equipment, and factories are used to produce goods and services, thus generating incomes for their owners in different forms such as rent and interest payments.	Compare the cost of renting a concrete mixer for a weekend project to buying it by taking out a loan with interest. Explain why renting machinery might be cheaper, considering factors like upfront costs, interest payments, and frequency of use.
8.M.9	Some people value independence and may choose nontraditional ways to earn income. Entrepreneurs start businesses and take risks to earn income and profits. Gig workers, freelancers, and contractors offer skills directly to clients, and earn income based on personal effort and time, often without traditional job benefits.	<p>Explore the risks entrepreneurs take for the potential to earn profits.</p> <p>Identify and discuss the trade-offs between being a gig worker and having a full-time job, focusing on factors like income stability, benefits, and flexibility.</p>

H: HIGH SCHOOL STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
8.H.1	In a labor market, higher wages increase the reward for work but reduce employers' willingness to hire workers, all else being equal.	Explain the impact of an increase in the minimum wage on students' desire to get an after-school job and employers' willingness to hire workers (and on the quantity of labor the employer may want to hire).
8.H.2	Personal income can be affected by changes in the structure of the economy, including technology, government policies, and the extent of collective bargaining, as well as discrimination.	Analyze data on the rise of automation and artificial intelligence in the manufacturing sector and evaluate how this might have affected the personal incomes of blue-collar workers in the United States in the last decade.
8.H.3	Income represents the flow of money received over a period of time, while wealth is the stock of accumulated assets minus liabilities at a point in time.	Calculate what happens to income and wealth if a student earns \$1,000 working at the state fair, spends \$300 on concert tickets, and puts the rest into a savings account.
8.H.4	Changes in the demand for goods and services often have significant impacts on the job opportunities and incomes of workers in affected industries in the short run.	Use information from the Bureau of Labor Statistics' <i>Occupational Outlook Handbook</i> to identify three occupations that are expected to grow and three occupations that are expected to shrink; explain these trends, based on the type of goods and services that are likely to experience heightened demand and those that are likely to experience waning demand.
8.H.5	Income distribution refers to how total income in the economy is divided among households, often measured by the percentage of total income that households in each income bracket (quintiles) earn. Income distribution is influenced by factors such as education levels, skill levels, market structures, discrimination, inheritance, and government policies.	Analyze the income distribution across the five quintiles for the United States or for other countries using information from the United States Census Bureau or the World Bank. Predict the average education level of people in those five different income brackets.
8.H.6	Income mobility refers to the upward or downward movement of individuals and households through different income classes over time. Income mobility is influenced by factors such as inequality, economic growth, tax policies, and access to education.	Discuss the extent of income mobility in the modern U.S. economy and identify factors that enable or restrict such mobility.
8.H.7	Discrimination based on race, gender, or age, among other factors, can create differences in income levels that are not explained solely by economic considerations in labor markets. Discrimination can perpetuate income inequalities and inhibit income mobility for disadvantaged groups.	Discuss how discrimination affects hiring decisions, wage levels, and career advancement in labor markets.

Benchmark	Students will know that:	Students will use this knowledge to:
8.H.8	Labor unions are organizations that represent workers in collective bargaining over issues such as wages, benefits, and working conditions. Labor unions also work to influence labor laws and regulations in market economies.	<p>Explain how major U.S. labor unions emerged, their economic impact, and the bargaining tactics they use to benefit their members and workers in general.</p> <p>Defend arguments for and against the creation and influence of labor unions.</p>

STANDARD 9: INTERNATIONAL TRADE

International trade can increase the total amount of goods and services available, but these gains are not distributed equally between or within countries. Governments use trade policies such as tariffs or subsidies to change trade flows with different countries.

Design of Standard

E: Elementary school students learn what trade, exports, and imports are and how they connect countries.

M: Middle school students learn about gains from trade and how these gains might not be equally distributed. They also learn reasons why countries might decide to restrict trade.

H: High school students are formally introduced to the idea of comparative advantage and reasons countries may have a comparative advantage. The debate on globalization and regionalization is discussed. Finally, students are introduced to exchange rates and learn how a change in exchange rates affects prices of traded goods.

E: ELEMENTARY STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
9.E.1	International trade is people and businesses in different countries buying and selling goods and services from each other, offering more choices and improving the quality of life of their people. By specializing in making certain products, countries can trade for other things they need, making everyone better off.	Give real-world examples of international trade, such as Mexico selling avocados and mangoes to the United States and in return the United States selling machinery and technology to Mexico.
9.E.2	Trade makes countries more interdependent because countries rely on each other for certain goods and services.	Explain how trade leads to interdependence between countries and why it is important for countries to trade with each other.
9.E.3	Exports are domestic goods and services that are sold to buyers in other countries. Imports are foreign goods and services that are purchased from sellers in other countries.	<div>Give examples of major products that are produced in the United States and exported to other countries, and identify these countries.</div> <div>Examine labels of products that are consumed or used daily at school or at home and compile a list of imported products and the countries from which they are imported.</div>

M: MIDDLE SCHOOL STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
9.M.1	As a result of economic interdependence, changes in economic conditions and policies in one country can affect economic conditions and policies in other countries.	<p>Predict the likely effect of a recession in the United States on the economies of its top five trading partners.</p> <p>Explain how United States government support to domestic farmers helps domestic farmers compete in the global market and affects farmers in other countries.</p>
9.M.2	Like trade among individuals within one country, international trade promotes specialization in production and division of labor. The results are a higher productivity of labor and increased output and consumption.	Explain how dividing tasks based on skills and specialization in production results in increased productivity of labor, increased world production, and overall increased consumption.
9.M.3	Free trade increases worldwide material standards of living by eliminating or reducing trade barriers, such as tariffs and quotas. Free trade increases imports and exports among countries.	Identify who benefits when a trade barrier such as sugar or automobile import quotas is eliminated.
9.M.4	Gains from free trade are not equally shared among different groups within the exporting and importing countries. The impact of free trade on producers, consumers, and workers can vary greatly, and some groups may lose more than they gain from free trade.	Explain who gains and who loses when there is free trade in the automobile industry.
9.M.5	Despite the mutual benefits countries receive from international trade, countries employ trade barriers to restrict free trade for varied reasons such as to enhance national defense, to protect growing or key industries, or to help companies and workers injured by free trade.	Examine historical examples of periods when the United States has imposed trade barriers, and explain why it imposed these trade barriers given the mutual benefits of free trade.
9.M.6	When imports are restricted by public policies, domestic consumers pay higher prices while job opportunities and firms' profits in the exporting countries may decrease. In contrast, domestic producers experience increased profit in the short term, but may become less innovative over time due to reduced competition.	Explain how a tariff on imported cacao beans affects the production of chocolate candy in the United States, American consumers, and producers in cacao-growing countries.

H: HIGH SCHOOL STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
9.H.1	Net exports equal the value of exports (goods and services sold to other countries) minus the value of imports (goods and services bought from other countries). Net exports can be either positive (trade surplus) or negative (trade deficit).	Calculate net exports in the United States for the last five years. Identify whether there has been a trade surplus or trade deficit over these years.
9.H.2	Although trade barriers typically result in higher costs than benefits, they are often adopted through political processes and supported by people and groups who expect to gain from imposing them. Costs of these barriers often are spread over a large number of people, with each person bearing only a small portion and possibly not recognizing the cost.	Explain why a political leader would support imposing a trade barrier, such as a tariff on imported washing machines, which would benefit a small group of people at the expense of other groups.
9.H.3	Comparative advantage occurs when a country has a lower opportunity cost of producing a good than another country.	Explain in terms of opportunity costs why the United States is probably better off importing tropical goods such as bananas, coffee, and eucalyptus oil than growing or producing them here.
9.H.4	A country specializes in producing a good when it has a comparative advantage in the production of that good and can therefore export that good. A mutually beneficial trade occurs when two countries engage in trade such that the terms of trade lie between the opportunity costs of production of the two countries.	Decide which countries would specialize in a good when the opportunity cost of one unit of corn in country A is two units of oranges, and the opportunity cost of one unit of corn in country B is four units of oranges. Describe what would happen when the production of corn is moved from one country to the other.
9.H.5	The goods or services that a country can produce at lower opportunity cost and have a comparative advantage in their production depend on factors such as available resources, technology, and political and economic institutions.	Use their understanding of available resources, technology, and political and economic institutions in the U.S. and other countries to explain why the U.S. no longer has a comparative advantage in the production of shoes.
9.H.6	Globalization and regionalization impact international trade in different ways. For example, globalization promotes worldwide interconnectedness, global trade, technological advancement, and cultural exchange. Regionalization, on the other hand, emphasizes economic cooperation and integration within specific areas, enhancing competitiveness, stability, and development within a region.	Explain the difference between globalization and regionalization and the impact of each on international trade patterns. Research the similarities and differences among trade blocs such as the European Union (EU), United States-Mexico-Canada Agreement (USMCA), the Association of Southeast Asian Nations (ASEAN), and the African Continental Free Trade Area (AfCFTA).

Benchmark	Students will know that:	Students will use this knowledge to:
9.H.7	The exchange rate is the price of one country’s currency in relation to another country’s currency. Like other prices, exchange rates for most major currencies are determined by the forces of supply and demand.	Compare the price of shirts purchased in the United Kingdom, Japan, and South Africa by converting the price in local currency to U.S. dollars using current exchange rates.
9.H.8	When the exchange rate between two currencies changes, the relative prices of the goods and services traded among countries using those currencies change; as a result, some groups gain and others lose.	Describe what would happen to the quantity of exports of a good if the exchange rate for an exporting country depreciates (in other words, if the country’s currency can be bought with less foreign currency).

STANDARD 10: TECHNOLOGY

Technology refers to the knowledge and processes that enable us to transform resources into products that people want. Technological advancements can make production more efficient and can also result in the creation of new products and ways of consuming goods, which can result in changes in consumer behavior and the overall economy.

Design of Standard

- M:** Middle school students are introduced to the concept of technology, learning how it links productivity to growth. Students explore how technology can contribute to the creation or displacement of jobs.
- H:** At the high school level, students explore possible impacts of technology on the environment, jobs (introducing the concepts of substitutes and complements), e-commerce, globalization, and social equity.

M: MIDDLE SCHOOL STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
10.M.1	Technology refers to knowledge and processes that enable producers to transform resources into products.	Identify various forms of technology used around the classroom and at home, and categorize them based on their intended purposes (such as communication, entertainment, education, financial, or production).
10.M.2	Technological advancements enable the creation of new tools, processes, products, and services that lead to increased productivity and economic growth. These advancements mean more can be produced with the same amount of time and resources.	Describe the technological innovations used by ride-sharing services, e-commerce platforms, and renewable energy technologies that allowed these industries to grow. Describe how these innovations affected production costs, consumer behavior, and market competition.
10.M.3	Technological advancements can expand employment opportunities through job creation in innovative and emerging industries. However, technology also carries the risk of job displacement for specific tasks that become automated or obsolete.	<p>Describe how technological innovations have led to increases and decreases in employment across different sectors in the economy, using data from the Bureau of Labor Statistics' <i>Occupational Outlook Handbook</i>.</p> <p>Explain how technology contributed to the rise of gig economy platforms and how it created new job opportunities while disrupting traditional labor markets.</p>

H: HIGH SCHOOL STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
10.H.1	The profit motive drives businesses to innovate and seek new technologies that improve efficiency and reduce costs. Governments can support businesses' initiatives to develop new technologies by funding research and development, providing tax incentives and subsidies, creating favorable environments, and investing in human capital.	<p>Explain how the desire for profit leads to innovation and technological changes and the resulting impact on a company's success and market position.</p> <p>Explain why the federal government provides grants to many colleges and universities.</p>
10.H.2	Technology can mitigate environmental challenges and promote sustainability, but it can also impact society and the environment in unexpected ways.	<p>Explain how technological advancements can address environmental and sustainability challenges such as air pollution, water scarcity, deforestation, and plastic waste.</p> <p>Explain how the Industrial Revolution, while providing increased material living standards and growth, also resulted in negative environmental consequences.</p>
10.H.3	Artificial intelligence is an example of a technology that can transform the workforce, affecting the way people approach various tasks and processes. It can enhance human capabilities and support certain tasks, boosting productivity, or it can serve as a replacement for specific tasks. AI can also create new job opportunities and lead to skill transformation.	<p>Explain how specific tasks or processes could potentially be complemented or substituted by AI technologies in various jobs or industries.</p> <p>Explain how workers can adapt to changes driven by technology, such as AI.</p> <p>Identify valuable skills that human workers should retain to remain competitive in the evolving job market.</p>
10.H.4	Digital technologies have changed the way businesses operate and interact with consumers by lowering barriers to entry and reducing transaction costs.	<p>Analyze how various technologies have contributed to the success of an e-commerce business, including digital platforms, mobile devices, cloud computing, and digital payment systems.</p> <p>Explain how online influencers and small businesses use social media platforms to leverage their opportunities for marketing and economic success.</p>

Benchmark	Students will know that:	Students will use this knowledge to:
10.H.5	Technological advancements have facilitated globalization and increased interconnectedness across the world, leading to increased integration and interdependence of economies.	Describe how technological advancements in communication, transportation, digital platforms, e-commerce, and knowledge-sharing have led to a more globalized economy.
10.H.6	Technology can narrow gaps in education and improve economic well-being and social equity by promoting access to information and markets. However, disparities in access and utilization of technology, online privacy and security risks, and job displacement can worsen economic and social inequities.	<div>Research the digital divide in specific communities by reviewing reports by institutions like the United Nations.</div> <div>Explain the role of government, private sector, and nonprofit organizations in promoting digital inclusion.</div>

STANDARD 11: GROSS DOMESTIC PRODUCT (GDP)

Gross domestic product, the market value of the final goods and services produced in an economy, is the most commonly used measure of the size of the economy. Because a dollar spent is a dollar earned, GDP equals the total income for the nation.

Design of Standard

M: At the middle school level, gross domestic product is defined and described with the caveat that it does not capture illicit and nonmarket transactions.

H: At the high school level, students are introduced to the difference between nominal and real GDP. Further limitations of real GDP as well as real GDP per capita are presented. Finally, the concept of what determines GDP in the long run is discussed.

M: MIDDLE SCHOOL STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
11.M.1	Gross domestic product (GDP) is a measure of a nation’s economic output. It measures the total market value of all final goods and services produced in a country during some period of time, typically a year.	Explain why tires produced by a domestic tire manufacturer are not counted as part of GDP when they are sold to a domestic producer of automobiles, but are counted when they are sold to domestic consumers for their family cars.
11.M.2	GDP can be computed by summing household consumption spending; investment expenditures; purchases by federal, state, and local governments; and net exports.	Explain what is included in each component of GDP, and give examples. Explain why imports are subtracted in calculating GDP.
11.M.3	GDP also measures the total income earned in an economy, because when something is bought, the amount of the expenditure becomes income for the resources used to make the good.	Explain how the money spent on a consumer purchase, such as a latte at a coffee shop, is distributed as income among the various resources involved in producing and serving the latte.
11.M.4	GDP per capita is GDP divided by the population of a country. It is the average income per person in an economy for a period of time.	Explain how two countries with similar GDPs can have drastically different GDP per capita. Identify other countries whose GDP per capita is similar to, less than, and greater than that of the United States.
11.M.5	GDP does not always perfectly capture all production in the economy because it does not capture nonmarket or illicit market economic activities.	Contrast a nonmarket activity such as stay-at-home caregiver for a child/elderly parent with a market activity such as using a daycare or nursing home to provide care. Explain why they end up being accounted for differently in GDP.

H: HIGH SCHOOL STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
11.H.1	Nominal GDP uses current prices to calculate the value of GDP. Because prices can change over time, distorting nominal GDP, economists use real GDP which calculates the value of GDP by holding the prices of goods and services constant over time.	Explain how inflation affects nominal GDP and real GDP.
11.H.2	Real GDP per capita is the most commonly used measure for comparing changes in material living standards over time.	<p>Explain how real GDP per capita can be used to compare how production in the economy has changed over a period of time, such as the student's lifetime.</p> <p>Describe the relationship between real GDP per capita and the material standard of living by collecting and examining the real GDP per capita for a variety of countries.</p>
11.H.3	Because one person's expenditure on a new good or service is another person's income, GDP can also be measured by the total income earned in an economy by the various factors of production.	Draw and label a circular flow diagram and explain the interrelated roles of households, businesses, and government in the economy. Using the circular flow diagram, identify the expenditure and income approaches to calculating GDP.
11.H.4	GDP does not account for environmental damage from production.	Discuss the differences in how a country's measured GDP is affected by preserving a rainforest compared to clear-cutting it.
11.H.5	Real GDP per capita does not accurately reflect the actual distribution of income nor does it capture other aspects of well-being.	<p>Explain why a country's GDP per capita being \$30,000 does not preclude a situation in which a large portion of the country's population is living in poverty.</p> <p>Give examples of measures of well-being such as life expectancy, access to clean water/air, feelings of security, freedom, health of children, and quality of education that are not captured in GDP per capita.</p>
11.H.6	The output of a nation's economy is determined over time by such things as the size and skills of its labor force, the size and quality of its stock of capital goods, the quantity and quality of its natural resources, its technological capabilities, and its legal and cultural institutions. Potential GDP refers to the long-term production capacity of the economy given these factors.	Compare and contrast the factors that contribute to GDP for a country with a high GDP per capita with a country with a lower GDP per capita. Discuss some of the challenges that the lower GDP country will need to overcome to become like the higher GDP country.

STANDARD 12: UNEMPLOYMENT

Unemployment is when a person is looking for work and cannot find it. Unemployment imposes costs on individuals and the overall economy. Unemployment increases during recessions and decreases during periods of recovery.

Design of Standard

E: Elementary school students learn that adults sometimes cannot find jobs.

M: Middle school students learn how the unemployment rate is calculated.

H: High school students learn the limitations of the unemployment rate. They also learn some of the potential reasons for unemployment and why the unemployment rate will never be zero.

E: ELEMENTARY STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
12.E.1	Unemployment exists when adults who are looking for work cannot find jobs.	Explain why a new college graduate that has not gotten a job is unemployed, but a retired person is not unemployed.

M: MIDDLE SCHOOL STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
12.M.1	Unemployment can be caused by people changing jobs, changes in the skills needed by employers, or cyclical fluctuations in the level of national spending (recessions). Unemployment also varies by seasonal fluctuations in the demand for workers.	Describe a scenario where a person loses their job for each of the various causes of unemployment. Explain why people quit and change their jobs.
12.M.2	The civilian labor force is the sum of those employed and those unemployed. In general, a person who works for pay is employed. People who are at least 16 years old, not currently employed, and actively seeking a job are unemployed. Many people are not a part of the labor force.	Determine if each of the following is employed, unemployed, or not in the labor force: an elementary school student who has a paper route, a retired butcher, an insurance salesperson, a parent who has decided not to work outside the home until their children are in school, and a 42-year-old civil engineer who looked for work for two years, but gave up searching for a job.
12.M.3	The unemployment rate is the percentage of the labor force that is unemployed. It is computed as the number of unemployed divided by the size of the labor force.	Compute the unemployment rate for April 2020, when the number unemployed was 23,090,000, the number employed was 133,185,000, and the number of retirees was 46,000,000.

H: HIGH SCHOOL STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
12.H.1	Changes in total employment are an important indicator of economic performance.	Collect data on employment and on real GDP over some ten-year time period, and identify the relationship between the two.
12.H.2	Unemployment in an economy creates immediate difficulties for households who find it hard to pay their expenses. If people are unemployed for a long time, they lose skills, employability, and may incur harm to their psychological well-being.	Explain why a computer developer may find it hard to get a job if they have not been working for of the last three years. List difficulties individuals and households may encounter if they face unemployment.
12.H.3	Not everyone decides to participate in the labor force. The labor force participation rate measures the percentage of the available workers who are currently working or actively seeking work (i.e., are in the labor force).	Identify reasons why individuals may decide not to enter the labor force. Explain the impact of fewer high school graduates going to college on the labor force participation rate.
12.H.4	The unemployment rate is an imperfect measure of unemployment. It does not include workers whose job prospects are so poor that they become discouraged from seeking jobs and leave the labor force. Also, it does not account for part-time workers who are looking for full-time work and are, therefore, underemployed.	Explain how an unemployed worker that becomes discouraged and stops looking for work effects the level of employment, the level of unemployment, the labor force, and the unemployment rate.
12.H.5	Unemployment rates differ for people of different ages, races/ethnicities, and genders. Work experience, education, training, skills, and discrimination impact a worker's ability to find a job.	Explain why unemployment rates for workers of different ages, races/ethnicities, and genders differ from each other. Find data to provide examples of the differences in unemployment rate for workers of different ages, races/ethnicities, or gender.
12.H.6	The unemployment rate will never be zero because there are always some people changing jobs, just starting to look for jobs, or adjusting to changes in skills needed by employers. As a result, unemployment exists even when the economy is at full employment. This level of unemployment is called the natural rate of unemployment.	Explain what is meant by the natural rate of unemployment. Explain how new job-search technology that helps workers and firms find each other faster would reduce the natural rate of unemployment.

STANDARD 13: MONEY

Money makes it easier to trade, borrow, save, invest, and compare the value of goods and services. Money does not need to have an intrinsic value; it derives its value from widespread acceptance in its exchange for goods and services.

Design of Standard

- E:** The elementary school student learns that people buy things with money instead of using barter.
- M:** The middle school student learns a broad definition of money as well as the functions of money.
- H:** The high school student learns that the money supply of a country is controlled by its central bank (which is the Federal Reserve System in the United States). The implications of too much money being supplied are discussed along with the topic of cryptocurrencies.

E: ELEMENTARY STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
13.E.1	Money is anything widely accepted as final payment for goods and services.	Identify objects that have been used as money throughout history. Explain why gold has often been used as money, while ice cream cones have never been used as money.
13.E.2	People consume goods and services, not paper money.	Explain why having a suitcase full of money is practically useless if one finds themselves stranded alone on a deserted island.
13.E.3	Money (notes, coins, or bank accounts) makes trading easier by replacing barter.	Explain why it's easier for a chef to buy a new jacket using money than it would be for them to barter with the tailor for the jacket.

M: MIDDLE SCHOOL STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
13.M.1	As a medium of exchange, money serves a vital role in an economy and encourages specialization.	Identify reasons why something is acceptable as a medium of exchange in one place or time but not in another, such as cowrie shells in China or salt in a historical society located far from the ocean.
13.M.2	As a store of value, money makes it easier for people to save and defer consumption until the future.	Explain why a dairy farmer, who is saving for his five-year-old college’s tuition, would prefer to save the money they earn from the sale of his milk rather than save the milk.
13.M.3	Money is a unit of account enabling people to compare the market value of different goods and services.	Explain the advantages of being able to use money to compare prices of a gallon of milk in three different stores.
13.M.4	Money includes currency (notes and coins) and bank account balances (checking and saving accounts).	Explain that money that is used to buy something can be in the form of currency or in the form of bank balances that are accessed using a debit card, credit card, or electronic payment app.

H: HIGH SCHOOL STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
13.H.1	Debit cards, credit cards, and payment apps are payment methods that transfer account balances to conduct economic transactions and are not considered to be money.	<p>Explain that when a buyer uses a credit card for a purchase, the seller receives money from the credit card issuer’s bank account. The buyer must pay the credit card issuer back at a later date.</p> <p>Explain why when a student uses a payment app, they are accessing their own bank balances.</p>
13.H.2	Governments control the supply of money through their central banks.	<p>Investigate the names of other central banks around the world.</p> <p>Explain why each country only has one central bank.</p>
13.H.3	Even though money serves a valuable role in the economy, if a central bank introduces too much money into the economy relative to its growth, in the long run, prices will rise.	<p>Explain why prices go up after participating in a game where students use play money to bid for a limited number of candy bars. In the first round, a specific amount of play money is given and an auction is conducted. In the second round of the auction, the amount of play money is doubled, but the amount of candy remains the same.</p>
13.H.4	Cryptocurrencies offer the possibility of alternatives to conventional money, but are not officially categorized as money. Reasons why people use cryptocurrencies include: financial privacy concerns, international payments, and speculation.	<p>Use the ideas of medium of exchange, store of value, and unit of account to decide if cryptocurrencies can be classified as money.</p> <p>Explain how a cryptocurrency is more of a speculative asset rather than a medium of exchange, and that this may or may not change over time.</p>

STANDARD 14: BANKS, INTEREST RATES, AND FINANCIAL MARKETS

Banks connect savers and borrowers by accepting deposits and making loans, with the interest rate serving as the price of money borrowed or saved. Businesses can also obtain funds by issuing debt or selling ownership shares in the company.

Design of Standard

- E:** At the elementary school level, students learn about the role of banks and interest.
- M:** Middle school students understand what a bank does with the money people deposit and how interest rates are determined by markets.
- H:** High school students learn about financial markets, including stock and bond markets. The concept of real interest rate is introduced, as is how interest rates impact lenders and borrowers.

E: ELEMENTARY STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
14.E.1	Banks are businesses where people save money and earn interest, and where people borrow money and pay interest.	Role-play bankers taking in deposits from customers who earn interest and other customers taking out loans and paying interest.

M: MIDDLE SCHOOL STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
14.M.1	Banks and other financial institutions funnel funds from savers to borrowers.	Draw a diagram illustrating the role banks and other financial institutions play in facilitating interactions among savers, borrowers, and investors.
14.M.2	An interest rate is the price of money that is borrowed or saved.	Explain how a higher interest rate would affect how much they save, and how much they borrow. Explain why interest is charged for a loan.
14.M.3	Like other prices, interest rates are determined by the market for funds. Borrowers demand funds; savers supply funds.	Illustrate how interest rates will likely change if borrowers demand more funds while at the same time savers do not increase the amount they save.

H: HIGH SCHOOL STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
14.H.1	Companies can raise funds by issuing shares of stock, which represent ownership in the company. Investors purchase stocks because they hope the company will do well and pay dividends or because they hope to sell the shares later at a higher price to earn a capital gain.	<p>Explain how a company might issue shares of its stock in order to raise funds, and why investors will likely be willing to buy those shares.</p> <p>Use the internet to find the stocks that make up the Dow Jones Industrial Average. Pick two companies and see if they pay a dividend, and if the price of the stock has risen or fallen so far this year.</p>
14.H.2	Investors buy and sell shares of stocks on the stock market. Investors hope to earn a capital gain, but sometimes suffer a capital loss when they sell at a lower price than the purchase price. Because investing in stocks involves risk, the return on average is higher in the long run than safer investments such as U.S. Treasury bonds.	Pick a company in the Dow Jones Industrial Average and compare the rate of return over a three-year period to the interest that could have been earned on a U.S. Treasury bond.
14.H.3	Companies and governments can borrow funds by issuing bonds. The issuer of the bond must pay bondholders interest. Investors may buy bonds directly from the issuer of the bond or from bondholders who want to sell their previously purchased bonds in the bond market.	<p>Explain how a corporate bond is like an IOU that states a specific interest rate.</p> <p>Explain why bondholders expect to earn interest in return for lending their funds.</p>
14.H.4	When bonds are sold before maturity, the price the seller receives is determined by supply and demand in the bond market. Bond prices and market interest rates have an inverse relationship: When market interest rates rise, bond prices fall; when market interest rates fall, bond prices rise.	Explain why a bond that pays a fixed interest rate of 5% is more attractive and will increase in price when the market rate of interest decreases from 5% to 4%.
14.H.5	The real interest rate is the nominal or current market interest rate minus the rate of inflation. The real interest rate expresses how much the purchasing power of the amount borrowed or saved rises or falls.	Collect data on the rate of inflation and interest rates for 30-year mortgages over the past 15 years. Using this information, estimate the real rate of interest paid on those mortgages in each of the years.
14.H.6	Higher real interest rates increase the rewards for saving and make borrowing more expensive.	Explain what happens to the purchasing power of your savings if the real interest rate increases from 2% to 5%.
14.H.7	Real interest rates are normally greater than zero because people must be compensated for deferring the use of resources from the present into the future.	Explain why savers will seek to earn more than the inflation rate when looking for a savings or money market account.

Benchmark	Students will know that:	Students will use this knowledge to:
14.H.8	Riskier loans command higher interest rates than safer loans because of the greater chance of default on the repayment of a riskier loan.	Explain why there are usually differences in interest rates for individuals with high and low credit ratings.
14.H.9	Higher real interest rates make loans costlier and thereby reduce business investment spending and consumer spending on housing, cars, and other major purchases.	Identify periods when real interest rates increased and speculate how this change in real interest rates affected business investment and consumer spending.
14.H.10	Real interest rates rise and fall with shifts in the demand for funds by borrowers and supply of funds from savers.	Describe how an increased demand for housing by households might increase the real interest rate for mortgages, and how increased savings by households can lead to a decrease in the real interest rate for savings accounts.
14.H.11	Expectations of higher inflation can cause nominal interest rates to rise.	Explain their answer to the following question: If you were going to lend \$100 to someone for a year, would you ask for more or less interest if you expected inflation to rise faster than in the previous year?

STANDARD 15: INFLATION

Inflation is an increase in the average price level. Inflation, both expected and unexpected, imposes costs and benefits on individuals and the overall economy.

Design of Standard

- E:** Elementary school students learn that prices change.
- M:** Middle school students learn that inflation is an increase in prices, and that price indices, such as the Consumer Price Index (CPI), are used to calculate the inflation rate and how inflation impacts the purchasing power of money.
- H:** At the high school level, students learn how inflation impacts the purchasing power of income. In addition, some of the causes of inflation are introduced as well as the adverse effects of expected and unexpected inflation.

E: ELEMENTARY STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
15.E.1	The prices of goods and services can increase or decrease over time.	Explain why candy is more expensive now than it was 50 years ago.

M: MIDDLE SCHOOL STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
15.M.1	Inflation is an increase in most prices; deflation is a decrease in most prices.	Find how the price of several items related to going to the movies (tickets, popcorn, soda) has changed over time and explain the reason for this change.
15.M.2	Inflation reduces the value—or purchasing power—of money.	Use information from an online inflation calculator to find the purchasing power of money in another year and then explain how the purchasing power of money has changed over time.
15.M.3	The Consumer Price Index is a measure that tracks the average change in prices over time for a market “basket” of goods and services purchased by households. The CPI is used to measure inflation.	Find the CPI number for the month they were born and compare that level with the most recent CPI data. Using this information, explain how the CPI can be used to show whether or not the economy has experienced inflation since they were born.
15.M.4	The inflation rate is the percentage increase in the average price level of goods and services over a period of time.	Calculate the annual rate of inflation when the CPI changes from 200 to 204 in one year. Find and report the latest year-over-year CPI inflation rate.

H: HIGH SCHOOL STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
15.H.1	Disinflation is a decrease in the inflation rate or a slowdown in the upward movement of prices for goods and services in the economy.	Describe the difference between inflation (rising price level), disinflation (falling inflation rate), and deflation (falling price level).
15.H.2	When people's incomes increase at a slower rate than the inflation rate, their purchasing power declines. When people's incomes increase at a faster rate than the inflation rate, their purchasing power increases.	<p>Explain that if inflation rises, but income remains fixed, people will not be able to buy the same number of goods and services over time.</p> <p>Describe what would happen to purchasing power if inflation is 3% and people's incomes increase by 8%.</p>
15.H.3	Inflation occurs when the overall demand for goods and services in an economy increases or the overall supply of goods and services in an economy decreases.	Explain what happens to the price level if people attempt to increase their spending but the number of goods and services in the economy remains the same.
15.H.4	Increases in production costs (including wages and prices of raw materials) can cause the inflation rate to rise if firms are able to pass along higher costs to consumers.	Explain what can happen to inflation when businesses face an increase in energy costs.
15.H.5	When consumers, businesses, and investors expect higher prices, their behavior can be self-fulfilling, pushing prices and inflation higher.	<p>Explain how they might react if they had planned to buy a computer in three months but learned that computer prices are expected to rise before then.</p> <p>Explain how a business might change its price if it expects its costs to increase by 10% over the next year. Explain how this might affect the broader economy.</p>
15.H.6	Unexpected inflation hurts savers and people on fixed incomes; it benefits people who have borrowed money at a fixed rate of interest.	Explain who would be harmed and who would benefit from an unexpected increase in inflation from 2% to 8% in each of the following scenarios: Asher's retirement income is fixed at \$24,000 a year, Mona borrowed \$5,000 last year at 5% and must pay it back at the end of this year, John lent the \$5,000 to Mona last year and will be paid back at the end of this year.

Benchmark	Students will know that:	Students will use this knowledge to:
15.H.7	Inflation, even when expected, imposes costs on consumers as they spend time and energy to minimize their cash holdings by depositing funds in interest-bearing accounts or seeking higher-yielding investments.	Explain why when inflation is very high, people try to invest their money, buy assets, or exchange currencies to protect themselves—and how those activities have both monetary and opportunity costs.
15.H.8	Hyperinflation is a very rapid rise in the overall price level which results in an extremely high rate of inflation. People often abandon a hyperinflated currency for tradable goods or another country’s currency.	Examine the historical cases of hyperinflation and explain the effects on the economies and currencies of countries that have experienced hyperinflation.

STANDARD 16: GROWTH AND FLUCTUATIONS

Investment in factories, machinery, and technology, and in the health, education, and training of people can encourage economic growth and increase the standard of living in a country. Economic fluctuations, such as recessions, result in a temporary worsening of economic conditions as people have a harder time finding jobs and companies cut back or shut down production.

Design of Standard

M: At the middle school level, students learn the importance of labor productivity in stimulating economic growth. Students learn what can improve labor productivity.

H: At the high school level, students learn about policies and institutions that could improve economic growth. They also learn about short-run fluctuations in the economy such as recessions and expansions.

M: MIDDLE SCHOOL STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
16.M.1	Economic growth is a sustained increase in the quantity of the goods and services produced in a country.	Research the real GDP of various countries and draw conclusions about the differences in economic growth between those countries.
16.M.2	Labor productivity is output per worker.	Calculate the class’s average labor productivity after completing an activity (i.e., paper airplane production, solving calculations, jumping jacks, etc.).
16.M.3	One way an economy can grow over time is by increasing the number of workers. Another important way for an economy to grow over time is by increasing the output per worker.	Perform a simple task such as making paper airplanes and then determine if more students engaged in the task will increase the production of the good or the workers’ productivity.
16.M.4	Workers can improve their labor productivity by using physical capital such as tools and machinery.	Provide examples where using tools (an excavator to dig a hole, AI to write a summary of information) can increase the productivity of a worker.
16.M.5	Workers can improve their productivity when they learn new ideas or use better tools that help them perform more efficiently.	Estimate the time required to complete tasks (solving a Rubik’s Cube, making an origami animal, or assembling a piece of furniture) with and without instructions. Analyze the differences and draw conclusions on how learning new methods and using tools can enhance workers’ productivity.

H: HIGH SCHOOL STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
16.H.1	Economic growth that raises per capita output can potentially alleviate poverty and raise standards of living.	Discuss the implications for the living standards of people in China when Chinese workers are producing more per person today than they did 50 years ago.
16.H.2	Investing in new physical or human capital can increase the rate of economic growth.	Explain how an electric car manufacturer who wants to expand production in the United States can do so by building a bigger factory, using more industrial robots, or hiring more talented engineers and designers to improve the speed and quality of production.
16.H.3	Investing in research that generates innovation and new technology can increase the rate of economic growth.	Explain how research into using artificial intelligence can help workers become more productive and help the economy produce more goods and services.
16.H.4	Property rights, including intellectual property rights (patents and copyrights), play an important role in creating the conditions for increased investment.	<p>Explain how a farmer would be reluctant to cultivate land if that land could be taken over by a neighbor with more powerful political connections.</p> <p>Explain how copyrights and patent protection affect the incentives to invest.</p>
16.H.5	Aging populations and declining birth rates with consequent declines in the labor force can hinder economic growth. Improved health and welfare of workers can help economic growth.	Find data for declining birth rates and aging demographics in a country like Japan or South Korea and explain why this would lead to a flattening of the growth path of the economy.
16.H.6	A recession is a short-term decline in economic activity within an economy. An expansion occurs when economic activity increases within an economy.	Use Federal Reserve Economic Data (FRED) to generate a graph of real GDP for the United States since 1960 and visualize both the sustained economic growth and the periods of recession.
16.H.7	A business cycle refers to a period of recession—when real GDP declines and hits a trough—followed by a period of expansion that continues until a peak is reached and the cycle begins anew.	Sketch a graph of real GDP to illustrate a complete business cycle. The graph should label the trough, peak, recession, and expansion.
16.H.8	During recessions, unemployment rates typically rise. In expansions, unemployment rates typically fall.	Given a graph of the unemployment rate in a country, label the periods in which economic expansions are likely and which are likely recessions.

Benchmark	Students will know that:	Students will use this knowledge to:
16.H.9	Recessions can be caused by a number of factors that affect either the overall demand or supply in an economy.	Identify examples of recessions in the past half-century that were caused by the following factors: supply chain disruptions from a global pandemic, a collapse in real estate prices, a stock market collapse, a sharp increase in oil prices, and monetary policy actions to reduce inflation.
16.H.10	While inflation tends to fall during a recession, sometimes a recession itself may be caused by a factor of production whose prices have been pushed up.	Use data on inflation rates to compare and contrast how inflation behaved during the U.S. recessions in the 1970s and 80s, compared to how inflation behaved during later recessions.

STANDARD 17: MONETARY POLICY

Monetary policy refers to interest rate and money supply decisions made by a central bank. In the United States, the Federal Reserve uses monetary policy to promote maximum employment and a low, stable rate of inflation.

Design of Standard

M: Middle school students learn that the Federal Reserve is the central bank of the United States and are introduced to the goals of the Federal Reserve.

H: High school students learn about the composition of the Federal Reserve. They then learn about how monetary policy is implemented and how a change in the federal funds rate can impact the economy.

M: MIDDLE SCHOOL STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
17.M.1	The Federal Reserve is the central bank of the United States. A country’s central bank oversees and regulates the banking system and sets monetary policy to promote a healthy economy.	Explain how a central bank provides benefits for citizens, the banking system, and the economy overall.
17.M.2	Monetary policy is the actions taken by a central bank that influence interest rates and overall financial conditions in an economy.	Discuss how changes in interest rates affect a business’s or individual’s decision whether to save or invest.
17.M.3	The Federal Reserve has a dual mandate from the U.S. Congress to promote maximum employment and price stability in the U.S. economy.	Explain why both maximum employment and price stability are important to consumers, producers, and the economy overall.

H: HIGH SCHOOL STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
17.H.1	The Federal Reserve System is composed of three entities: the Federal Reserve Board of Governors, which oversees all aspects of the Federal Reserve; the 12 Federal Reserve Banks, which examine and supervise financial institutions, act as lenders of last resort, and provide U.S. payments system services; and the Federal Open Market Committee (FOMC), which is responsible for determining U.S. monetary policy.	Use a map of the Federal Reserve System to determine the district where the student lives and the location of their Federal Reserve Bank. Use paper currency to identify which Federal Reserve Bank issued that bill. Discuss the importance of the Fed’s role in the payments system.

Benchmark	Students will know that:	Students will use this knowledge to:
17.H.2	To achieve its price stability goal, the Federal Open Market Committee conducts monetary policy to achieve inflation that is low and steady over time.	Find the Federal Reserve's current inflation target and explain why that target is better than a 10% target.
17.H.3	To achieve its maximum employment goal, the Federal Reserve uses policies to promote the highest level of employment that the economy can sustain while maintaining a low and stable inflation rate over time.	Discuss what kind of data and information the Federal Reserve might consider when deciding whether the economy is at maximum employment.
17.H.4	The Federal Open Market Committee conducts monetary policy by setting the target range for the federal funds rate. The federal funds rate is the interest rate banks and other institutions charge each other for overnight loans.	Identify a recently announced change in the federal funds rate target range and use the relevant FOMC statement to explain why this change was made.
17.H.5	The Federal Reserve's primary monetary policy tool is the interest it pays banks to keep reserves at the Federal Reserve, called the interest on reserve balances (IORB). The Federal Reserve implements policy by using the IORB interest rate to steer the federal funds rate to the FOMC's target range.	Look up the federal funds rate and see how it relates to the interest on reserve balances (IORB) rate that can be found on the Implementation Note that follows FOMC press statements.
17.H.6	The Federal Open Market Committee tends to increase its target range for the federal funds rate when inflation is too high. The FOMC tends to lower its target range for the federal funds rate when unemployment is high and the inflation rate is low.	Research the most recent period of high inflation in the United States and summarize the actions the Federal Reserve took to bring inflation down.
17.H.7	Monetary policy actions by the Federal Reserve lead to changes in interest rates and broader financial conditions. These changes influence the spending and investing decisions of consumers and producers, which then influences overall levels of employment and prices in the economy.	Explain how changes in monetary policy that increase interest rates affect consumer and business decisions, the path of economic activity, and people's lives.

STANDARD 18: FISCAL POLICY AND TAXATION

Fiscal policy refers to government taxation and spending decisions. The federal government’s budget policy influences the overall levels of employment, output, and prices. Taxation impacts the behaviors and circumstances of individuals and businesses.

Design of Standard

M: Middle school students learn the sources of government revenues and how those revenues are spent.

H: High school students learn about how changes in fiscal policy affect the spending of consumers and producers and therefore influence the economy. Various types of taxes are introduced as well as the concept of tax progressivity. Finally, the funding of federal budget deficits is described.

M: MIDDLE SCHOOL STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
18.M.1	Most federal government tax revenue comes from personal income and payroll taxes. Additional revenue sources include corporate taxes, excise taxes, and other taxes.	Use U.S. federal budget data from the Congressional Budget Office to construct a pie chart depicting major categories of federal revenue and discuss why most revenue comes from income and payroll taxes. Explain why federal tax revenues increase when the economy expands.
18.M.2	Payments to Social Security recipients, the costs of national defense and homeland security, medical expenditures (such as Medicare), transfers to state and local governments, and interest payments on the national debt constitute the bulk of federal government spending.	Use data from the U.S. federal budget to construct a pie chart depicting the major categories of federal expenditures. Explain why federal government expenditures decrease when the economy expands.
18.M.3	Although the sources of revenue vary greatly by state, typical sources of state and local government revenues include sales taxes, grants from the federal government, personal income taxes, and property taxes.	Identify the various sources of state and local revenues and various categories of state and local expenditures in their state.
18.M.4	The bulk of state and local government revenue is spent on education, public welfare (including hospitals and health), road construction and repair, and public safety.	Describe local government services that are used by the residents of their community and explain where the funds come from to pay for those services.

H: HIGH SCHOOL STUDENTS

Benchmark	Students will know that:	Students will use this knowledge to:
18.H.1	Fiscal policies are decisions about how to structure or change the federal government's spending and taxation levels. Fiscal policy decisions are intended to influence national levels of output, employment, and prices.	Define what is meant by fiscal policy and explain why historical examples of fiscal policies, including the Great Depression era's Works Progress Administration (WPA) and the COVID-19 era's CARES Act, were adopted.
18.H.2	Taxes change the spending behavior of consumers and producers. The type of tax is an important factor in how consumers and producers are affected.	Describe how consumer spending would change if the income tax rate were increased. Describe how businesses might change spending on business expansion if taxes on their profits were reduced.
18.H.3	Governments can impose a wide variety of taxes, including taxes on various types of income, spending, consumption, property, production, value-added, pollution, imports, financial instruments, and wealth.	Research countries or states where taxes such as value-added taxes, pollution taxes, property taxes, and wealth taxes are used.
18.H.4	The type of tax can affect households differently based on the households' income level. Taxes can be progressive, proportional, or regressive.	Compare two possible alternatives a state government has to raise \$100 billion of revenues: a sales tax or a progressive income tax. Explain the effect of each type of tax on a low-income and a high-income family.
18.H.5	In the short run, increasing federal spending and/or reducing taxes can promote more employment and output, but these policies also put upward pressure on the price level and interest rates. Decreased federal spending and/or increased taxes tend to lower price levels and interest rates, but they reduce employment and output levels in the short run.	Outline and explain the fiscal policies an economist would recommend to correct for rising unemployment when inflation is under control.
18.H.6	The federal government's annual budget is balanced when its revenues from taxes and other sources equal its expenditures. A budget deficit occurs when expenditures exceed revenues, while a budget surplus occurs when revenues exceed expenditures.	Determine what is likely to happen to the federal budget deficit when the economy is growing as opposed to when economic activity is contracting.

Benchmark	Students will know that:	Students will use this knowledge to:
18.H.7	When the government runs a budget deficit, it must borrow to finance that deficit. The federal government funds the deficit by selling Treasury bills, notes, and bonds.	Explain why investors buy Treasury bills, notes, and bonds. Explain how changes in the interest rate can increase the amount owed by the Treasury.
18.H.8	The national debt is the accumulated sum of all a nation’s past annual deficits and surpluses.	Identify the relationship between a federal budget deficit and the national debt. Explain what happens to the national debt when a country runs a budget surplus.



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