

# Economics

## [27.210]

In addition to the standards for all social science teachers that are set forth in Section 27.200 of this Part, those who specialize in the teaching of economics shall be required to meet the standards described in this Section.

### STANDARD 1

**The competent economics teacher understands economic concepts, terms and theories.**

#### Knowledge Indicators - *The competent economics teacher:*

- 1A. understands the difference between positive and normative economics.
- 1B. understands the law of increasing opportunity costs.
- 1C. understands the characteristics of various economic systems (command, traditional, market, and mixed).
- 1D. understands price elasticity.
- 1E. understands the impact of transaction costs.
- 1F. understands that market failures affect economic decision-making.
- 1G. understands the theory of comparative advantage.
- 1H. understands that changes in supply or demand cause relative changes in price.
- 1I. understands that economic decisions may have unintended consequences.
- 1J. understands the role of interest rates in economic decision-making.
- 1K. understands economic theories that have influenced economic systems, both past and contemporary.

#### Performance Indicators - *The competent economics teacher:*

- 1L. demonstrates the difference between analyzing economic realities and predicting economic outcomes.
- 1M. uses charts and graphs to explain and analyze production possibilities.
- 1N. analyzes the extent to which various economic systems and national economies rely on government directives and/or private markets to allocate scarce resources.
- 1O. analyzes the relationship between price elasticity and consumer decisions.
- 1P. computes elasticity of demand and supply.
- 1Q. explains how transaction costs affect overall production costs and prices.
- 1R. explains how positive and negative externalities may result in over- or under-production of goods and services.
- 1S. analyzes the role of public goods and services.
- 1T. applies the theory of comparative advantage to an analysis of benefits of trade.
- 1U. describes how price floors and price ceilings may distort price signals to producers and consumers.
- 1V. explains non-price determinants of supply and demand.
- 1W. examines the economic effects of government policies.
- 1X. explains the difference between nominal and real interest rates.
- 1Y. analyzes how savings, investment, and consumer decisions are related to changes in interest rates.
- 1Z. analyzes theories of past and present economists (e.g., Smith, Marx, Keynes, Friedman).

## STANDARD 2

**The competent economics teacher understands economic structures and processes.**

**Knowledge Indicators** - *The competent economics teacher:*

- 2A. understands the role of self-interest in competitive markets.
- 2B. understands that people respond to incentives in order to allocate scarce resources in ways that provide them with the highest possible returns.
- 2C. understands various market structures (monopoly, oligopoly, perfect competition, monopolistic competition).
- 2D. understands the components of gross domestic product.
- 2E. understands different methods for classifying income distribution.
- 2F. understands the causes and effects of unemployment.
- 2G. understands the causes and effects of inflation.

**Performance Indicators** - *The competent economics teacher:*

- 2H. explains that profit maximization occurs when marginal benefits exceed marginal costs.
- 2I. describes the factors that encourage competition (e.g., ease of entry, availability of consumer information, quantity of substitute goods and services).
- 2J. demonstrates how technology and entrepreneurship affect competition, choice, and prices.
- 2K. applies game theory to analyze how collusion reduces competition in a market.
- 2L. demonstrates the limitations of gross domestic product as a reflection of a society's standard of living.
- 2M. describes how gross domestic product, technology, public policy, and supply and demand in the labor market can influence personal income.
- 2N. explains the difference between personal income distribution and functional income distribution.
- 2O. compares and contrasts frictional, structural, cyclical, and seasonal unemployment.
- 2P. explains that the costs of inflation are different for different groups of people.

## STANDARD 3

**The competent economics teacher understands the components and operation of the United States economy.**

**Knowledge Indicators** - *The competent economics teacher:*

- 3A. understands the characteristics of a market economy.
- 3B. understands the components of fiscal policy.
- 3C. understands the tools of monetary policy.
- 3D. understands the effects of incorporation on investment and economies of scale.
- 3E. understands the components of money supply.
- 3F. understands the role of government in the transfer of income.
- 3G. understands the applications of economic indicators.
- 3H. understands the difference between a budget deficit and the national debt.

**Performance Indicators** - *The competent economics teacher:*

- 3I. explains the importance of property rights, contract enforcement, standards for weights and measures, and liability rules in providing incentives for production.

- 3J. examines the impact of public policy decisions on prices, job opportunities, and profits.
- 3K. analyzes the impacts of taxes and government spending on economic growth and stability.
- 3L. analyzes the impacts of interest rates and money supply on economic growth and stability.
- 3M. explains the role of the Federal Reserve in determining monetary policy.
- 3N. compares the tools of monetary policy (e.g., purchases and sales of government securities, changes in the discount rate, increases or decreases in the reserve requirement).
- 3O. analyzes the effects of government transfers of income (e.g., Social Security, Temporary Aid to Needy Families).
- 3P. analyzes the relationship between economic indicators (e.g., unemployment claims, stock prices, money supply, changes in inventories, personal income, orders for new equipment) and economic decisions.
- 3Q. examines the impact of economic growth.
- 3R. explains that when the government runs a budget deficit, it must borrow to finance that deficit.
- 3S. analyzes the impact of continuing national debt on economic growth and stability.

## **STANDARD 4**

**The competent economics teacher understands global economic interdependence.**

**Knowledge Indicators - *The competent economics teacher:***

- 4A. understands that differences in the availability of resources affect international trade.
- 4B. understands the impact of exchange rates on economic decision-making.
- 4C. understands the effect of public policy decisions (e.g., incentives and subsidies or quotas and other trade barriers) on the exercise of free trade.
- 4D. understands that the theory of comparative advantage affects nations' decisions to trade.
- 4E. understands the role of international economic structures.

**Performance Indicators - *The competent economics teacher:***

- 4F. compares and contrasts global resource allocation.
- 4G. analyzes the impact of production costs (e.g., labor, taxes, materials) on global prices.
- 4H. computes the cost of U.S. goods and services in other countries.
- 4I. computes the dollar cost of goods and services produced in other countries.
- 4J. analyzes the costs and benefits (to citizens of the U.S. and other countries) of public policy decisions made in the United States and in other countries.
- 4K. calculates benefits of trade.
- 4L. evaluates decisions by international economic structures (e.g., World Bank, International Monetary Fund, European Union).