

# Academic Standards for Economics

*Grades K-12*



**Pennsylvania Department of Education**

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## Overview

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Economics is concerned with the behavior of individuals and institutions engaged in the production, exchange, and consumption of goods and services. For students to succeed in the workforce, knowledge of how the world works is critical. Every student should know the characteristics of economic systems, how markets establish prices, how scarcity and choice affect the allocation of resources, the global nature of economic interdependence, and how work and earnings impact productivity. These standards are intended to provide direction in learning how economic activity impacts everyday life through the areas of fundamentals of economics, microeconomics, macroeconomics, and money and financial institutions. The standards are grade banded and reflect the increasing complexity and sophistication that students are expected to achieve as they progress through school.

Number	Areas
6.1	Fundamentals of Economics
6.2	Microeconomics
6.3	Macroeconomics
6.4	Money & Economic Institutions

## Appendix C-1. Academic Standards for Economics

Substrand	Kindergarten to Grade 2	Grades 3 to 5	Grades 6 to 8	Grades 9 to 12
<b>1. Fundamentals of Economics</b>				
<b>Economic systems</b>	Intentionally blank	Intentionally blank	<b>6.1.6-8.A</b> Describe and identify the characteristics of traditional, command, and market systems.	<b>6.1.9-12.A</b> Evaluate the strengths and weaknesses of traditional, command, and market economies.
<b>Fundamental economic questions</b>	<b>6.1.K-2.B</b> Explain how limited resources require us to make choices and share when we cannot have everything we want.	<b>6.1.3-5.B</b> Identify the three basic questions that all economic systems attempt to answer: <ul style="list-style-type: none"> <li>• What goods and services should be produced?</li> <li>• How will goods and services be produced?</li> <li>• Who will consume goods and services?</li> </ul>	<b>6.1.6-8.B</b> Explain how traditional, command, and market economies answer the basic economic questions: <ul style="list-style-type: none"> <li>• What goods and services should be produced?</li> <li>• How will goods and services be produced?</li> <li>• Who will consume goods and services?</li> </ul>	<b>6.1.9-12.B</b> Analyze the impact of traditional, command, and market economies on the United States economy.
<b>Scarcity</b>	Intentionally blank	<b>6.1.3-5.C</b> Define scarcity and how it impacts personal, household, and community decision-making.	<b>6.1.6-8.C</b> Describe ways to deal with scarcity within various communities.	<b>6.1.9-12.C</b> Analyze actions taken as a result of scarcity in decision-making.
<b>Economic choice</b>	Intentionally blank	Intentionally blank	<b>6.1.6-8.D</b> Explain that scarcity is the condition of not having all the goods and services wanted because resources are limited.	<b>6.1.9-12.D</b> Analyze how choices made by individuals, firms, or government officials are constrained by available resources.

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<b>Economic resources</b>	Intentionally blank	Intentionally blank	<b>6.1.6-8.E</b> Explain how resources can be used in different ways to produce different goods and services.	<b>6.1.9-12.E</b> Evaluate the allocation of resources used to produce goods and services.
<b>Marginal analysis</b>	Intentionally blank	<b>6.1.3-5.F</b> Explain the costs and benefits of an economic decision.	<b>6.1.6-8.F</b> Explain how the additional cost and additional benefit of a choice affects decision-making (marginal analysis).	<b>6.1.9-12.F</b> Evaluate regional, national, or international economic decisions using marginal analysis.
<b>Opportunity cost</b>	Intentionally blank	<b>6.1.3-5.G</b> Define opportunity cost and describe the opportunity cost of a personal choice.	<b>6.1.6-8.G</b> Explain the opportunity cost of a public choice from different perspectives.	<b>6.1.9-12.G</b> Analyze the opportunity cost of decisions by individuals, businesses, communities, and nations.
<b>Incentives</b>	Intentionally blank	<b>6.1.3-5.H</b> Explain how negative and positive incentives affect choices.	<b>6.1.6-8.H</b> Explain how incentives affect the behaviors of workers, savers, consumers, and producers.	<b>6.1.9-12.H</b> Evaluate in terms of marginal analysis how incentives influence decisions of consumers, producers, and policymakers.
<b>Specialization</b>	<b>6.1.K-2.I</b> Describe why people divide tasks to make work easier.	<b>6.1.3-5.I</b> Define specialization and identify examples of interdependence.	<b>6.1.6-8.I</b> Describe how specialization may lead to increased production and consumption.	<b>6.1.9-12.I</b> Analyze the relationship between specialization and the standard of living.
<b>Trade</b>	<b>6.1.K-2.J</b> Explain why people trade.	<b>6.1.3-5.J</b> Explain why countries trade.	<b>6.1.6-8.J</b> Explain how trade may improve a society's standard of living.	<b>6.1.9-12.J</b> Analyze the relationships between trade, competition, and productivity.
<b>Foreign trade</b>	Intentionally blank	<b>6.1.3-5.K</b> Identify and define imports, exports, and international trade.	<b>6.1.6-8.K</b> Explain why governments sometimes subsidize or restrict trade (i.e., tariffs or quotas).	<b>6.1.9-12.K</b> Evaluate how a country might benefit by lowering or removing trade barriers.

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<b>Global interdependence</b>	Intentionally blank	Intentionally blank	<b>6.1.6-8.L</b> Explain how specialization and trade lead to interdependence.	<b>6.1.9-12.L</b> Analyze how consumers and producers participate in the global production and consumption of goods or services.
<b>Comparative advantage</b>	Intentionally blank	<b>6.1.3-5.M</b> Explain why some products are produced locally while others are not.	<b>6.1.6-8.M</b> Explain how opportunity costs influence where goods and services are produced locally and regionally.	<b>6.1.9-12.M</b> Explain that individuals and nations have a comparative advantage in the production of goods or services if they can produce a product at a lower opportunity cost than other individuals or nations.
<b>2. Microeconomics</b>				
<b>Circular flow</b>	<b>6.2.K-2.A</b> Define and identify goods and services.	<b>6.2.3-5.A</b> Describe how consumers purchase goods and services from producers.	<b>6.2.6-8.A</b> Explain the flow of goods, services, and resources in an economy.	<b>6.2.9-12.A</b> Analyze the circular flow of products, resources, and money in a mixed economy.
<b>Competition</b>	Intentionally blank	<b>6.2.3-5.B</b> Identify ways local businesses compete for customers.	<b>6.2.6-8.B</b> Describe the advantages and disadvantages of competition for consumers in markets.	<b>6.2.9-12.B</b> Define noncompetitive markets and explain how consumers and producers operate in those markets.
<b>Monopolies</b>	Intentionally blank	<b>6.2.3-5.C</b> Define and provide an example of a monopoly.	<b>6.2.6-8.C</b> Identify historical examples of monopolies in the United States.	<b>6.2.9-12.C</b> Evaluate the economic roles of governments in promoting free markets (e.g., price controls, antitrust actions).
<b>Supply and demand</b>	Intentionally blank	<b>6.2.3-5.D</b> Explain how markets bring together buyers and sellers.	<b>6.2.6-8.D</b> Explain how supply and demand affect the prices of goods and services.	<b>6.2.9-12.D</b> Predict how changes in supply and demand affect equilibrium price and quantity sold.

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<b>Economic patterns</b>	Intentionally blank	<b>6.2.3-5.E</b> Explain how the location of resources and transportation have affected Pennsylvania economic patterns.	<b>6.2.6-8.E</b> Explain how the location of resources, transportation, and technology have affected United States economic patterns.	<b>6.2.9-12.E</b> Explain how the location of resources, transportation, and technology have affected international economic patterns.
<b>Wages</b>	Intentionally blank	Intentionally blank	<b>6.2.6-8.F</b> Define wages and explain how wages are determined by the supply of and demand for workers.	<b>6.2.9-12.F</b> Analyze the factors influencing wages, including demand for goods and services produced, productivity of labor, labor unions, and education and skills.
<b>Productivity</b>	Intentionally blank	Intentionally blank	<b>6.2.6-8.G</b> Describe how productivity is measured and identify ways in which a person can improve his or her productivity.	<b>6.2.9-12.G</b> Evaluate how changes in education, incentives, technology, and capital investment alter productivity.
<b>Types of businesses</b>	<b>6.2.K-2.H</b> Identify businesses in your community.	<b>6.2.3-5.H</b> Describe businesses that provide goods and businesses that provide services.	<b>6.2.6-8.H</b> Identify and explain the characteristics of the three types of businesses: sole proprietorship, partnership, and corporation.	<b>6.2.9-12.H</b> Analyze the costs and benefits of organizing a business as a sole proprietorship, partnership, or corporation.
<b>Profit and loss</b>	Intentionally blank	<b>6.2.3-5.I</b> Define profit and loss.	<b>6.2.6-8.I</b> Explain how profits and losses serve as incentives.	<b>6.2.9-12.I</b> Analyze the role of profits and losses in the allocation of resources in a market economy.
<b>Entrepreneurship</b>	<b>6.2.K-2.J</b> Define entrepreneurship and identify entrepreneurs in the local community.	<b>6.2.3-5.J</b> Identify historical and contemporary entrepreneurs in Pennsylvania.	<b>6.2.6-8.J</b> Investigate leading entrepreneurs in Pennsylvania and the United States and describe the characteristics of successful entrepreneurship (including risks and rewards).	<b>6.2.9-12.J</b> Evaluate the impact of entrepreneurs on the economy.

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<b>3. Macroeconomics</b>				
<b>Economic indicators</b>	Intentionally blank	<b>6.3.3-5.A</b> Define unemployment and inflation.	<b>6.3.6-8.A</b> Define macroeconomic indicators such as the Consumer Price Index (CPI), gross domestic product (GDP), and unemployment rate.	<b>6.3.9-12.A</b> Evaluate the relationship between economic growth and changes in macroeconomic indicators such as the Consumer Price Index (CPI), gross domestic product (GDP), and unemployment rate.
<b>Business cycles</b>	Intentionally blank	Intentionally blank	<b>6.3.6-8.B</b> Describe historical examples of expansion, recession, and depression in the United States.	<b>6.3.9-12.B</b> Compare current and historical examples of expansion, recession, and depression.
<b>Fiscal policy</b>	Intentionally blank	Intentionally blank	<b>6.3.6-8.C</b> Define fiscal policies available to the federal government.	<b>6.3.9-12.C</b> Identify fiscal and monetary policies that address inflation, unemployment, or economic growth.
<b>Federal budget</b>	Intentionally blank	Intentionally blank	Intentionally blank	<b>6.3.9-12.D</b> Explain how deficit spending by the federal government increases the national debt and the impact it has on the economy.
<b>Taxation</b>	<b>6.3.K-2.E</b> Define a tax and identify examples.	<b>6.3.3-5.E</b> Explain how taxes affect the price of goods and services.	<b>6.3.6-8.E</b> Define the three different types of tax structures (progressive, proportional, and regressive) and different tax bases, such as income, wealth, property, etc.	<b>6.3.9-12.E</b> Evaluate the impact of different tax structures (progressive, proportional, and regressive) and different tax bases (income, wealth, property, etc.) on households and firms.

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<b>Tax policy</b>	Intentionally blank	<b>6.3.3-5.F</b> Explain how the government pays for goods and services through taxes.	<b>6.3.6-8.F</b> Compare the taxation policies of local, state, and national government levels in the economy.	<b>6.3.9-12.F</b> Analyze the social, political, and economic consequences of changes in tax policy.
<b>Economic role of government</b>	Intentionally blank	Intentionally blank	<b>6.3.6-8.G</b> Analyze the economic roles of governments in market economies in promoting growth and stability and providing legal frameworks (laws and regulations).	<b>6.3.9-12.G</b> Evaluate the economic roles of governments in a globalized economy (e.g., trade policy, income inequality, distribution of wealth).
<b>Externalities</b>	Intentionally blank	<b>6.3.3-5.H</b> Identify unintended consequences of market activities (e.g., pollution, noise, traffic).	<b>6.3.6-8.H</b> Identify policies governments can use to address unintended consequences (i.e., externalities) of market activities.	<b>6.3.9-12.H</b> Evaluate policies governments can use to address unintended consequences (i.e., externalities) of market activities.
<b>Public goods and services</b>	<b>6.3.K-2.I</b> Define public goods and services provided by the government.	<b>6.3.3-5.I</b> Distinguish between public and private goods and services.	<b>6.3.6-8.I</b> Explain why the government provides public goods and services (e.g., education, infrastructure, national defense, safety and health).	<b>6.3.9-12.I</b> Evaluate government decisions in prioritizing public goods and services.
<b>4. Money and Economic Institutions</b>				
<b>Money</b>	Intentionally blank	<b>6.4.3-5.A</b> Explain the advantages of using money instead of bartering.	<b>6.4.6-8.A</b> Identify and explain various forms of payments used in markets.	<b>6.4.9-12.A</b> Explain how the Federal Reserve defines money.
<b>Exchange rates</b>	Intentionally blank	<b>6.4.3-5.B</b> Explain why most countries create their own form of money.	<b>6.4.6-8.B</b> Explain why you have to exchange currencies to purchase goods when you visit another country.	<b>6.4.9-12.B</b> Explain how changes in exchange rates affect the relative prices of foreign goods and services.

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<b>Monetary policy</b>	Intentionally blank	Intentionally blank	Intentionally blank	<b>6.4.9-12.C</b> Explain how changes in the money supply and monetary policy affect interest rates throughout the economy.
<b>Banking</b>	<b>6.4.K-2.D</b> Define saving and explain why people use banks to save.	<b>6.4.3-5.D</b> Explain how banks bring savers and borrowers together.	<b>6.4.6-8.D</b> Explain how banks and other financial institutions channel funds from savers to borrowers and investors.	<b>6.4.9-12.D</b> Evaluate the role of banks in promoting economic growth in the economy.
<b>Federal reserve system</b>	Intentionally blank	Intentionally blank	<b>6.4.6-8.E</b> Explain the history, structure, and purposes of the Federal Reserve System.	<b>6.4.9-12.E</b> Analyze Federal Reserve policies designed to raise or lower interest rates.
<b>Nongovernmental organizations</b>	Intentionally blank	Intentionally blank	<b>6.4.6-8.F</b> Define nongovernmental economic institutions (e.g., labor unions, non-profits, financial markets).	<b>6.4.9-12.F</b> Evaluate the role of nongovernmental economic institutions (e.g., labor unions, non-profits, financial markets).
<b>Interest rate policy</b>	Intentionally blank	Intentionally blank	<b>6.4.6-8.G</b> Explain the impact of higher or lower interest rates for savers, borrowers, consumers, and producers.	<b>6.4.9-12.G</b> Evaluate benefits and costs of changes in interest rates for individuals and society.