

Content Descriptions

Economics/Business/Free Enterprise

The State Board of Education is required by Georgia law (A+ Educational Reform Act of 2000, O.C.G.A. §20-2-281) to adopt End-of-Course Tests (EOCT) designed to measure student achievement in core subjects in grades nine through twelve. With educator input and State Board of Education approval, eight content areas were designated to be tested in 2001. The Georgia Performance Standards (GPS) were adopted by the State Board of Education in July 2004. Georgia educators then began the work of developing the Economics EOCT based on the GPS.

Program Purpose

The EOCT are designed to improve student achievement by assessing student performance on the curriculum standards specific to each course tested. The results of the EOCT will be used to help make instruction more effective and to ensure that all Georgia students have access to a rigorous curriculum that meets high academic standards. Student performance on the EOCT is provided for diagnostic and remedial use. The results will also be used for student accountability and for gauging the quality of education in the state. The EOCT is the final exam for an EOCT course. The student's final grade in the course will be calculated using the course grade as 85% and the EOCT score as 15% of the final grade. The student must have a final course grade of 70 or above to pass the course and to earn credit toward graduation.

EOCT Content Descriptions

The EOCT Content Descriptions are provided to acquaint Georgia educators with the content coverage of the EOCT. Only the knowledge, concepts, and skills addressed in the GPS will be assessed on the EOCT. Committees of Georgia educators reviewed the curriculum and provided guidance for the assessment program. The EOCT Content Descriptions are in *no way* intended to substitute for the GPS; they are provided to help educators better understand how the curriculum will be assessed. Further, the EOCT Content Descriptions, *by no means*, suggest *when* concepts and skills should be introduced in the instructional sequence; rather, its purpose is to communicate when concepts and skills will be assessed on the EOCT. The GPS is located at <http://www.georgiastandards.org>.

Economics Domains

In order to provide reliable measures of student achievement, as well as to give structure to the assessment program, the content standards contained in the GPS were grouped into content domains. Each domain was created by combining standards that share similar content characteristic. Five domains were identified for Economics:

- **Fundamentals of Economics**
Assessment in this domain focuses on basic economic concepts and skills: scarcity and opportunity cost, supply and demand as it relates to scarcity, factors of production, marginal costs and benefits, different economic systems, productivity, the allocation of resources, and the role of government in economic systems.
- **Microeconomic Concepts**
Assessment in this domain focuses on economic concepts and skills that deal with human behavior and choices as they relate to relatively small units – an individual, a business firm, or a single market. These concepts and skills include the circular flow of goods and services in a market economy, production and distribution, supply and demand, competition, and types of business organizations in the U.S. economy.
- **Macroeconomic Concepts**
Assessment in this domain focuses on economic skills and concepts that deal with human behavior and choices as they relate to the entire economy. These skills and concepts include measures of economic activity, the Federal Reserve System and monetary policy, and the federal government and fiscal policy.
- **International Economics**
Assessment in this domain focuses on factors that account for international trade, comparative and absolute advantage, trade barriers and trading blocks, exchange rates, and general arguments for and against free trade.
- **Personal Finance Economics**
Assessment in this domain focuses on economic skills and concepts that deal with personal economic decisions related to spending, saving, and investing, banks and other financial institutions, the use of credit, insurance, the effects of monetary and fiscal policy on personal economic behaviors, and factors that account for personal income earned in the workforce.

These content descriptions are based on the GPS standards but are **not** identical to the standards. They do not identify what should be included in the state curriculum. Only the GPS standards themselves establish the minimum of what teachers should teach and what students should know. This document explains the content that will be assessed on the Economics EOCT.

Domain: Fundamentals of Economics

Overview of the Domain

- Students will explain how limited resources and unlimited wants result in scarcity, opportunity costs, and trade offs
- Students will describe the relationship between rational economic decision making and marginal costs and marginal benefits
- Students will explain the importance of specialization and voluntary exchange to buyers and sellers
- Students will compare how different economic systems seek to answer the three basic economic questions: what to produce, how to produce, and for whom to produce
- Students will describe the roles of government in a market economy
- Students will describe the factors related to increased productivity, economic growth, and to a higher standard of living

Associated GPS

EF1 EF2 EF3 EF4 EF5 EF6

Associated GPS Content

Assessment of this domain will focus on the following:

- importance of scarcity to the study of economics
- limited vs. unlimited resources
- differences between economic wants and economic needs
- importance and characteristics of natural, human, and capital resources
- role of entrepreneurs in production and distribution
- reading and interpreting scenarios, tables, production possibility curves, and graphs related to opportunity costs (trade offs)
- unequal distribution of natural resources and its economic implications
- strategies used to reallocate unequally distributed natural resources
- reasons for and significance of specialization
- identifying and analyzing examples of specialization
- reasons for and benefits of voluntary exchange
- comparing market, command, and mixed economic systems in terms of their structures, the roles of producers, consumers, and government within them, how supply and demand affect production and distribution, and the role of competition and profit within them

- types of government goods and services provided at the local, state, and national levels
- advantages and disadvantages associated with government provided goods and services
- government transfer payments in a market economy
- advantages and disadvantages of government regulations to businesses and consumers in a market economy
- effects of investments in capital and human resources on productivity, economic growth and standard of living
- reading and interpreting scenarios, tables, and graphs related to productivity

Domain: Microeconomic Concepts

Overview of the Domain

- Students will describe the interaction between and the interdependence of households, businesses, and governments created by the flow of goods, services, and money in the economy
- Students will explain how production and distribution are determined in a market economy by the interactions of supply, demand, prices, and profit
- Students will explain how markets, prices, and competition influence economic behaviors
- Students will explain the role of business in the U.S. economy and compare its three types of business organizations: sole proprietorship, partnership, and corporation

Associated GPS

EMI1 EMI2 EMI3 EMI4

Associated GPS Content

Assessment of this domain will focus on the following:

- reading and interpreting circular flow charts that show the characteristics of and relationships that exist among households, businesses, and governments
- examining the product market and the resource market
- money as a medium of exchange
- profit motive in a market economy
- the law of demand: reading and interpreting demand curves
- the law of supply: reading and interpreting supply curves
- differentiating between inelastic and elastic demand and inelastic supply and elastic supply
- reading and interpreting supply and demand curves
- how price floors and price ceilings are established and their effects
- price as a market incentive
- market competition and its effects on demand, supply, and price
- advantages and disadvantages of sole proprietorships, partnerships, and corporations
- entrepreneurs and entrepreneurship in a market economy: roles, significance, and effects
- characteristics of monopolies and oligopolies
- characteristics of monopolistic and oligopolistic market structures
- pure competition

Domain: Macroeconomic Concepts

Overview of the Domain

- Students will describe how economic activity is measured statistically
- Students will describe the purposes of economic activity statistical measures
- Students will explain the structure and role of the Federal Reserve System
- Students will explain the government's role in fiscal policy

Associated GPS

EMA1 EMA2 EMA3

Associated GPS Content

Assessment of this domain will focus on the following:

- significance of the unemployment rate
- structural, cyclical, and frictional unemployment
- factors that account for household, business, and government spending decisions
- aggregate demand, aggregate supply, and their relationships to prices
- how and why data collections are used to measure economic conditions
- Gross Domestic Product: data collection, significance, and uses
- Consumer Price Index: data collection, significance, and uses
- inflation and stagflation
- causes and stages of business cycles and their effects on economic performance
- causes and effects of recessions and depressions
- national debt and government deficits: how calculated, differences between them, and their significance
- Federal Reserve System organization: Board of Governors, district banks, and the Federal Open Market Committee (FOMC)
- specific functions of the Federal Reserve System: control the money supply; supply the economy with paper money (Federal Reserve Notes); hold bank reserves; provide check-clearing services; supervise member banks; serve as the lender of last resort
- monetary policy as an economic tool
- reading and interpreting scenarios, tables, and graphs related to monetary policy
- fiscal policy as a tool to combat inflation
- fiscal policy as a tool to combat recession
- reading and interpreting scenarios, tables, and graphs related to fiscal policy

Domain: International Economics

Overview of the Domain

- Students will explain reasons that account for trade among individuals, businesses, and nations
- Students will explain the purposes, advantages, and disadvantages of trade barriers
- Students will explain the purposes, advantages, and disadvantages of free trade
- Students will explain exchange rates and their effects on trade

Associated GPS

EIN1 EIN2 EIN3

Associated GPS Content

Assessment of this domain will focus on the following:

- reasons for international trade
- definition and examples of imports and exports
- significance of specialization in international trade
- absolute advantage: definition and examples
- comparative advantage: definition and examples
- effects of absolute and comparative advantage on international trade
- reading and interpreting scenarios, tables, and graphs related to absolute and comparative advantage
- significance of balance of trade and balance of payment data as economic indicators
- tariffs, quotas, embargoes, and subsidies and their effects on trade
- reasons nations impose trade barriers and restrictions
- examples of modern-day trade barriers and restrictions
- short and long-term advantages and disadvantages of trade barriers and restrictions
- reading and interpreting scenarios, tables, and graphs related to trade barriers and restrictions
- reasons nations create trading blocks such as the EU and NAFTA
- general arguments for and against free trade
- definition of exchange rates
- causes of depreciation and appreciation of national currencies
- effects of currency depreciation and appreciation on trade and consumption
- reading and interpreting scenarios, tables, and graphs related to the reasons for and the effects of changes in exchange rates

Domain: Personal Finance Economics

Overview of the Domain

- Students will explain how individuals can make rational spending and saving choices
- Students will explain how banks and other financial institutions provide services to individuals
- Students will explain the effects that changes in fiscal and monetary policy have on individual spending and saving choices
- Students will evaluate the benefits and disadvantages of using credit
- Students will compare different types of insurance policies available to individuals
- Students will evaluate the relationship of years of education completed to level of wages earned in the workforce

Associated GPS

EPF1 EPF2 EPF3 EPF4 EPF5 EPF6

Associated GPS Content

Assessment of this domain will focus on the following:

- differences between and among spending, saving, and investing
- wants vs. needs: reasons individuals spend, save, and invest money
- short and long-term goals associated with spending, saving, and investing money
- strategies to determine appropriate ways for individuals to spend, save, and invest money
- different types of financial institutions that compete for business and consumer money
- difference between interest paid to a financial institution and interest received
- factors that account for the amount of return when saving or investing
- differences between and among a savings account, checking account, individual stocks, bonds, and mutual funds
- inflation: definition, causes, and effects
- monetary policy and fiscal policy as tools to combat inflation
- reading and interpreting scenarios, tables, and graphs related to the causes and effects of inflation
- features and examples of progressive, regressive, and proportional taxes
- effects of progressive, regressive, and proportional taxes on different income levels
- analyzing arguments for and against progressive, regressive, and proportional taxes
- reading and interpreting scenarios, graphs, and tables related to progressive, regressive, and proportional taxes
- credit, loans, and interest rates paid
- advantages and disadvantages associated with credit purchases

- different types of loans: personal, home, education, car, etc
- factors that account for varying interest rates charged for different types of loans
- significance of personal credit cards in the economy
- reading and interpreting scenarios, tables, and graphs related to the use of personal credit
- different types of personal insurance: home, car, health, disability, etc.
- factors that influence the purchase of personal insurance
- advantages and disadvantages associated with the purchase of personal insurance
- reading and interpreting scenarios, tables, and graphs related to the purchase of personal insurance
- direct relationship between level of education attained to personal income
- factors that account for importance of education in the workforce, e.g., advances in technology, increased global competition, etc.
- reading and interpreting scenarios, tables, and graphs related to education and earned income levels