



# Comprehensive Curriculum

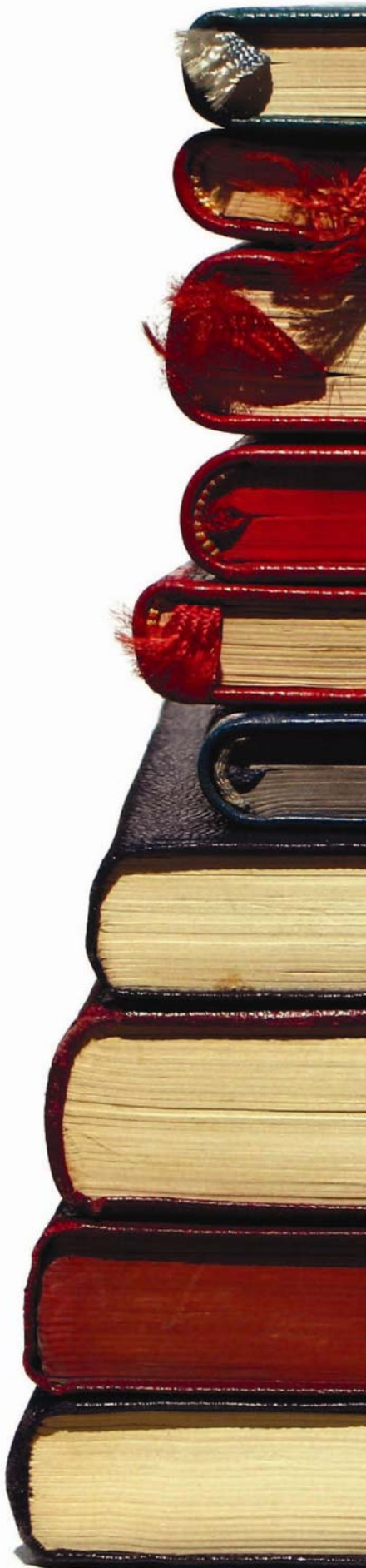
Revised 2008

## Free Enterprise



Louisiana Department of  
**EDUCATION**

Paul G. Pastorek, State Superintendent of Education



# Free Enterprise

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## ***Louisiana Comprehensive Curriculum, Revised 2008*** **Course Introduction**

The Louisiana Department of Education issued the *Comprehensive Curriculum* in 2005. The curriculum has been revised based on teacher feedback, an external review by a team of content experts from outside the state, and input from course writers. As in the first edition, the *Louisiana Comprehensive Curriculum*, revised 2008 is aligned with state content standards, as defined by Grade-Level Expectations (GLEs), and organized into coherent, time-bound units with sample activities and classroom assessments to guide teaching and learning. The order of the units ensures that all GLEs to be tested are addressed prior to the administration of *iLEAP* assessments.

### **District Implementation Guidelines**

Local districts are responsible for implementation and monitoring of the *Louisiana Comprehensive Curriculum* and have been delegated the responsibility to decide if

- units are to be taught in the order presented
- substitutions of equivalent activities are allowed
- GLEs can be adequately addressed using fewer activities than presented
- permitted changes are to be made at the district, school, or teacher level

Districts have been requested to inform teachers of decisions made.

### **Implementation of Activities in the Classroom**

*Incorporation of activities into lesson plans is critical to the successful implementation of the Louisiana Comprehensive Curriculum.* Lesson plans should be designed to introduce students to one or more of the activities, to provide background information and follow-up, and to prepare students for success in mastering the Grade-Level Expectations associated with the activities. Lesson plans should address individual needs of students and should include processes for re-teaching concepts or skills for students who need additional instruction. Appropriate accommodations must be made for students with disabilities.

### **New Features**

*Content Area Literacy Strategies* are an integral part of approximately one-third of the activities. Strategy names are italicized. The link ([view literacy strategy descriptions](#)) opens a document containing detailed descriptions and examples of the literacy strategies. This document can also be accessed directly at <http://www.louisianaschools.net/1de/uploads/11056.doc>.

A *Materials List* is provided for each activity and *Blackline Masters (BLMs)* are provided to assist in the delivery of activities or to assess student learning. A separate Blackline Master document is provided for each course.

The *Access Guide to the Comprehensive Curriculum* is an online database of suggested strategies, accommodations, assistive technology, and assessment options that may provide greater access to the curriculum activities. The *Access Guide* will be piloted during the 2008-2009 school year in Grades 4 and 8, with other grades to be added over time. Click on the *Access Guide* icon found on the first page of each unit or by going directly to the url <http://mconn.doe.state.la.us/accessguide/default.aspx>.



## Free Enterprise Unit 1: The Economic Way of Thinking

**Time Frame:** Approximately one week



### Unit Description

The Economic Way of Thinking is a tool that can help students understand real world events. It is a real, systematic, rational and logical way of looking at things. Because we must deal with scarcity, we must make choices. This unit will introduce students to a different way of looking at things that will help them make better decisions.

### Student Understandings

Students understand that scarcity influences the economic choices at the personal, family, and societal levels. Students can use the Economic Way of Thinking in their lives as responsible consumers, producers, savers and investors, and effective participants in a global economy.

### Guiding Questions

1. Can students identify a choice and its opportunity cost?
2. Can students define scarcity and how the concept of scarcity drives the decision-making process?
3. Can students identify the four factors of production and analyze the role they play in the production of goods and services?
4. Can students use the Economic Way of Thinking in the decision-making process?
5. Can students explain the Circular Flow of Goods and Services Model?

**Unit 1 Grade Level Expectations (GLEs)**

<b>GLE #</b>	<b>GLE Text and Benchmarks</b>
<b>Economics: Fundamental Economic Concepts</b>	
1.	Apply fundamental economic concepts to decisions about personal finance (E-1A-H1)
2.	Define <i>scarcity</i> (E-1A-H1)
3.	Identify factors that drive economic decisions (e.g., incentives, benefits, costs, trade-offs, consequences) (E-1A-H1)
4.	Analyze an economic choice at the personal, family, or societal level to determine its opportunity cost (E-1A-H1)
29.	Explain the role of factors of production in the economy (E-1B-H2)
32.	Analyze the circular flow of goods and services and money payments from a diagram (E-1B-H2)

**Sample Activities**

**Activity 1: Analyzing the Impact of Scarcity (GLE: 2)**

Ask students if they have ever played the game Musical Chairs. Have them explain how the game works, and ask, “What if there were as many chairs as there are players?” Explain that in order for the game to work there must be at least one less chair than there are players. This demonstrates the concept of scarcity. Economics is the study of how people deal with scarcity.

Ask students when they have had to deal with scarcity. Discuss how everyone has to deal with scarcity. Explain that economists often look at things differently, using the Economic Way of Thinking.

Present these four statements to the students. Ask them if they are true or false. Allow students to pair up and discuss why each statement may be true or false.

- The best things in life are free.
- The largest cost of going to college is tuition, room and board.
- Anything worth doing is worth doing well.
- The purpose of economic activity is to improve the well-being of some people at the expense of others.

Discuss students’ suggestions. The first statement addresses two important concepts. First, hardly anything is free. Resources are scarce and our wants are unlimited, so we constantly have to decide how to use those scarce resources. Things we think of as free, like spending time with our families or enjoying nature, have a cost. In order to do those things, we must give up something else. Economists use the term TINSTAAFL – an acronym for “There is No Such Thing as a Free Lunch.” This means everything in life

has a cost. While things may appear to be free, everything has a cost. A good example is the free lunch program. In order for a student to get a free lunch, he or she must come to school. Coming to school is the cost of that free lunch. This statement also points out that economics is the study of human behavior, not merely traditional topics such as taxes, investments, or money.

The second statement is also false. Students who attend college must give up the chance to work and earn money immediately following graduation from high school, and this cost is larger than tuition (room and board are irrelevant, since you must have a place to live and food to eat whether you go to college or to work). The cost of something is not always measured in direct outlays of money, but in opportunities sacrificed. Have students compare the opportunity cost for someone like LeBron James (professional basketball player who went straight from high school to the NBA) to what they might face when they graduate from high school.

The third statement is also false. We are often told this is true, but economists point out that time is a resource that is limited and that we must make choices. We just don't have enough time to do everything well.

The fourth statement is false as well. This is a common misconception of economic concepts. When people trade with each other, they both anticipate being better off after making a voluntary trade. Trade is a win-win proposition.

## **Activity 2: The Factors of Production (GLE: 29)**

**Materials List:** old magazines, newspapers, or pictures from the Internet; Factors of Production BLM

Explain how factors of production are necessary to produce any item, good or service, no matter how simple it might seem. The four factors of production are:

Land: natural resources or gifts of nature,

Labor: workers with their physical or mental labor,

Capital: tools, machines, and the factory used in production, and

Management/Entrepreneurship: a person who combines the other three factors in search of a profit.

After this discussion, provide students with old magazines, newspapers, or pictures from the Internet, and have them cut out examples of land, labor, and capital. Students should take the role of an entrepreneur and determine how those three factors of production might be combined to produce a good or service.

Have students complete The Factors of Production BLM in order to display their understanding of how the four factors of production are used to produce goods and services.

### **Activity 3: RAFT Writing Assignment (GLE 29)**

Materials List: Factors of Production Letter BLM

Using the *RAFT* writing model ([view literacy strategy descriptions](#)) have students take the role of one of the factors of production and write a letter to consumers of that good or service. In the letter, they should explain how they interact with the other factors and why the factor they have chosen is important to the production of the final good or service. (See the Factors of Production Letter BLM.)

### **Activity 4: Working with the Circular Flow of Goods and Services (GLE: 32)**

Materials List: Circular Flow of Goods and Services BLM, colored pencils/markers

Introduce the *Circular Flow of Goods and Services* graphic that illustrates what happens in an economic system. Most textbooks have a good example of this graphic, but an excellent one can be found at <http://www.producingohio.org/action/circular/index.html> if needed. Go over the graphic carefully with the class, identifying and defining terms (e.g., consumers and producers). Have students explain the roles of consumers and producers. Have students trace the flow of money and goods/services. Use colored pencils/markers to shade the flow of money in green.

Use the Circular Flow Model BLM to check students' basic understanding of the Circular Flow Model (See BLM). Then have students describe the market for factors of production and define each factor (i.e., labor, land, capital, and management/entrepreneurship). Have each student write an explanation of the Circular Flow Model. Then have them exchange explanations with at least two other students, making additions/corrections to each other's as needed. Assess these individually against a class-generated rubric.

### **Activity 5: Analyzing Choices and Making Decisions (GLEs: 1, 3 4)**

Materials List: two on-line lessons: *Decision-Making: Scarcity, Opportunity Cost and You*, and *It's a Matter of Power*

These two on-line lessons will help students understand the concept presented in this unit. The lessons are referenced and summarized below.

1) *Decision Making: Scarcity, Opportunity Cost and You*

[http://www.ncee.net/resources/lessons/Focus\\_Personal\\_Decision\\_Making\\_Sample\\_Lesson.pdf](http://www.ncee.net/resources/lessons/Focus_Personal_Decision_Making_Sample_Lesson.pdf)

Permission to use this lesson is a courtesy of the National Council on Economic Education (NCEE). This lesson can also be found in "Personal Decision Making: Focus on Economics" and is available from the Louisiana Council for Economic Education.

The NCEE link is to a fully developed lesson plan that includes: Introduction, Concepts, Content Standard, Objectives, Lesson Description, Time Required, Materials Needed, Lesson Procedures, and Black Line Masters. This lesson is appropriate for all students. (Note: All lessons developed by NCEE use the same formatting and indicate the appropriateness of a lesson for all students or for those students who are average and above.) The lesson is designed to be printed from the web by the teacher and implemented in the classroom as a group activity.

Students will participate in three group activities that imitate the everyday phenomenon of “free” goods and illustrates that there is no such thing as a “free” lunch. In this lesson, there are suggestions of five or six items that the teacher can provide “that students consider valuable and different enough to be willing to weigh the costs and benefits of selecting just one.” The lesson illustrates the concepts of scarcity, opportunity cost, trade-offs, and consequences.

2) *It's a Matter of Power*

<http://www.econedlink.org/lessons/index.cfm?lesson=EM341&page=teacher>

EconEdLink is endorsed by the National Council on Economic Education.

*It's a Matter of Power* is also a downloadable lesson plan. Both student and teacher versions are available. The teacher version includes: Key Economic Concepts, Lesson Objectives, Introduction, Resources, Process (procedures to be used including student questions and answers), Conclusion, and both Assessment and Extension Activities.

This lesson is a case study of Kaiser Aluminum, which decided to shut down aluminum production in favor of reselling electricity.

Students are first introduced to this information: Profit is the incentive that drives our market economy. Firms make production, pricing, and hiring decisions based on their quest for profit. They are asked to consider what happens when a firm discovers that it can make dramatically higher profits by stopping production altogether. In December 2000, due to wild swings in the market for electricity, Kaiser Aluminum faced just such a decision.

After reading the case study, students are asked to answer a series of questions to assess their understanding of the major concepts presented. Links to other sites within the lesson allow students to consider factors that were used in the decisions made.

## Sample Assessments

### General Guidelines

- Students should be monitored on all activities via teacher observation, report writing, class discussion, and journal entries.
- Use a variety of performance assessments to determine student comprehension.
- Select assessments consistent with the type of products that result from the student activities.

### General Assessments

- Students should write journal entries throughout the unit, expressing their opinions on questions posed by the teacher as well as on other issues discussed in class.
- Students should label the exchange of money and factors of production on a blank diagram of the circular flow chart.
- Students should complete activity sheets from on-line lessons.

### Activity-Specific Assessments

- Activity 1: Current Events Article: Have students find a news article which demonstrates the concept of scarcity. In their summary of the article, they should write how the concept of scarcity is shown in the article. Use the Current Events Article Rubric BLM for grading. (See BLM.)
- Activity 2: Students will complete the Factors of Production BLM categorizing which factors of production are used to produce four common items used in the classroom.
- Activity 4: Students will complete “The Circular Flow of Goods and Services” BLM. The teacher may provide additional examples of goods and services and events that place students in the ‘factor/resource’ or ‘product’ market.
- Activity 5: The following is taken from *It’s a Matter of Power* on-line lesson: “Given the information from the article, if you were an economist for Kaiser Aluminum, what would you have suggested that Kaiser do: continue to produce aluminum or shut down and resell energy? Write a paragraph explaining your recommendations to the company. Be sure to discuss tradeoffs, opportunity cost, cost-benefit analysis, and the profit motive in your analysis. Then write three brief paragraphs advising Kaiser how you would expect the shareholders, customers, and employees to react to Kaiser's decision, and the reasons for their reactions.”

## Free Enterprise Unit 2: Markets and Entrepreneurs

**Time Frame:** Approximately two weeks



### Unit Description

Students study the market economy system and the role entrepreneurs play in making it work.

### Student Understandings

Students understand that a market economy depends on a free enterprise system where entrepreneurs make economic decisions. Students evaluate economic systems in the past and present for their advantages, disadvantages, and effectiveness in achieving given social goals. Students learn how economic incentives can change economic behavior and the role of competition in making a market economy work. Students understand how an economy works through the study of the flow of goods and services and money payments.

### Guiding Questions

1. Can students explain why interdependence is linked to scarcity of natural resources?
2. Can students explain the purpose and importance of marketing in the economy?
3. Can students explain factors that affect competition and why competition is important to the economy?
4. Can students identify different types of business ownership and the importance of each?

### Unit 2 Grade-Level Expectations (GLEs)

GLE #	GLE Text and Benchmarks
<b>Economics: Fundamental Economic Concepts</b>	
5.	Explain how the scarcity of natural resources leads to economic interdependence (E-1A-H1)
6.	Identify the four basic economic questions (E-1A-H)
8.	Explain the role of marketing and channels of distribution in economic decisions (E-1A-H2)
13.	Compare contemporary and historic economic systems (e.g., ownership and control of production and distribution, determination of wages) (E-1A-H4)

GLE #	GLE Text and Benchmarks
14.	Explain the advantages and disadvantages of given market structures (E-1A-H5)
15.	Explain factors affecting levels of competition in a market (e.g., number of buyers and sellers, profit motive, collusion among buyers or sellers, presence of cartels) (E-1A-H5)
16.	Explain the effects of competition on producers and consumers (E-1A-H5)
20.	Compare and contrast characteristics of various forms of business ownership (E-1A-H6)
26.	Interpret information about a current economic system undergoing change from a largely command or traditional system to a more mixed system (e.g., Eastern European countries, China, other developing economies) (E-1A-H8)
<b>Individuals, Households, Businesses, and Government</b>	
31.	Identify the difference between monetary and non-monetary incentives and how changes in incentives cause changes in behavior (E-1B-H2)

### Sample Activities

#### Activity 1: Introducing Different Economic Systems (GLEs: 6, 13)

Materials List: Types of Economic Systems BLM, chart paper or overhead projector (optional), Economic Systems Advantages/Disadvantages BLM

Before looking at the advantages and disadvantages of each type of economic system, students will generate questions they have about the topic based on an SQPL ([view literacy strategy descriptions](#)) prompt.

State the following: **Command economies are the best type of economic systems in which to live.** Write it on the board, overhead projector, or piece of chart paper as it is said. Repeat it as necessary.

Next ask students to turn to a partner and think of one good question they have about economic systems based on the statement: **Command economies are the best type of economic systems in which to live.** As students respond, write their questions on the chart paper or board. A question that is asked more than once should be marked with a smiley face to signify that it is an important question. When students finish asking questions, if important questions go unasked, the teacher should contribute his/her own questions to the list.

Tell students to listen carefully for the answers to their questions.

Students will take notes on the following concepts delivered orally with appropriate visuals created by the instructor:

- a. All economies are driven by economic wants and needs (e.g., consumer demand). Humans have needs and wants that are unlimited. At the same time, resources to make products and provide services are limited (scarce). Producers in every society try to meet the demands of their members.
- b. All economic systems must answer four basic questions for society:
  1. What goods and services will the economy produce?
  2. How are goods and services produced in the economy?
  3. For whom are goods and services produced?
  4. How are goods and services distributed to members of the society?
- c. How the above questions are answered defines differences between the three types of economies: market, traditional and command. Distribute copies of the Types of Economic Systems chart below (See BLM.).

\*Note to the teacher: While many textbooks and economists provided just three basic economic questions faced by all societies (What, How, and For whom), GLE 6 indicates that there are four such questions.

### Types of Economic Systems

<b>BASIC QUESTIONS</b>	<b>FREE MARKET ECONOMY</b>	<b>TRADITIONAL ECONOMY</b>	<b>COMMAND ECONOMY</b>
What goods and services will the economy produce?	Prices of goods and services provide incentives to producers to supply goods.  Prices of goods and services provide incentives to consumers to choose goods.  Market prices determine what goods will be produced and sold.	Tradition and custom determine which goods and services are produced  Production is generally on the subsistence level.	Central authority decides what goods and services will be produced and how they will be priced.
How are goods and services produced in the economy?	Market prices for factors of production shape the decisions that producers make. When the price of one factor (resource) increases in value, producers find ways to use other factors to make the good.	Tradition and custom determine how goods and services are produced. Goods and services are produced the same way generation after generation.	Central authority decides how factors of production will be used to make products.
For whom are goods and services produced?	Consumer incomes determine what goods and how much goods	Goods and services are distributed the same way as in previous	Central authority decides the price of factors of production

<b>BASIC QUESTIONS</b>	<b>FREE MARKET ECONOMY</b>	<b>TRADITIONAL ECONOMY</b>	<b>COMMAND ECONOMY</b>
	individuals receive.	generations.	and the price of goods and services.
How are goods and services distributed to members of the society?	<p>Consumer incomes are determined by their contribution to factors of production.</p> <p>Market prices provide incentives for the production and purchase of goods and services.</p>	Goods and services are distributed the same way as previous generations.	Central authority creates markets to distribute goods they have decided should be produced.

Ask students to identify and describe a current example of each of the three types of economic systems:

- Traditional economies such as tribes in rural South America
- Command economies such as Cuba or North Korea
- Market economies such as the United States or New Zealand

Explain to students that almost all economic systems are mixed; they have elements of all three types. Although the United States is considered a market economy, there are characteristics of command (minimum wage laws) and traditional (children following their parents' careers) economies. In command economies like Cuba, underground markets called 'black markets' would be found. These are markets in prohibited commerce.

Have students complete the Economic Systems Advantages/Disadvantages BLM, listing strengths and weaknesses of each type of economic system. (See BLM.)

**Activity 2: Command Economies Undergoing Change (GLE: 26)**

Materials List: news accounts, books on regional geography, and/or the Internet on the People's Republic of China's free enterprise zones

Present a scenario where Czechoslovakia has just emerged from Soviet domination (1989) and a command economy. Communism dominated the Czechs for about 50 years during which time there was no unemployment or competition in the marketplace.

What did the Czechs have to learn when the country shifted to a free market economy? Ask students, in groups or as a whole class, to take turns analyzing what they would need to learn about the following:

- employment (competition for jobs)
- prices (competition among buyers and sellers)
- risk (investments and savings)

- banking (writing checks, borrowing)

Provide readings from news accounts, regional geography books, and/or the Internet describing how the People’s Republic of China under a command economy has created free enterprise zones with free markets. Distribute the readings and ask students to describe what is likely to happen in China in a detailed statement about each of the following:

- As producers expand their factories in free enterprise zones, what will happen to wages?
- What happens to workers laboring in state-owned factories?
- Explain why workers would/would not migrate to free enterprise zones.
- How will incomes differ between free enterprise zones and the command economy? With increased incomes, how will workers impact free markets and command markets?

Ask students to write an opinion paper predicting how China will be changed through the use of free enterprise zones.

### **Activity 3: Incentives and Market Behavior (GLE: 31)**

Materials List: Monetary and Non-Monetary Incentives BLM

Define *incentives* with the class. Ask students if all incentives involve money. Ask for examples of non-monetary incentives (bonus points, extra bathroom pass). Ask how money serves as an incentive. Have students complete the Monetary or Non-Monetary Incentives BLM to compare monetary incentives to non-monetary incentives. Remind students that people respond to incentives in predictable ways. Also, have them add examples of other possible incentives and decide if they are monetary or non-monetary. (See BLM.)

### **Activity 4: Natural Resources and Availability of Products (GLE: 5)**

Have students review a written definition of land as a factor of production (see Unit 1). Provide an example of a country and its natural resources. Have students explain how natural resources are a vital part of the production process.

*Model Example: Production of electricity in the United States depends upon coal, oil, natural gas, and/or nuclear fuels. If oil and natural gas are not available (foreign supplies), electricity production requires an increase in coal fired (pollution costs and nuclear (storage costs) generators. The result would be increased costs of electricity production to producers and increased prices of electricity to consumers.*

Ask the class to explain how increased costs and prices of electricity would impact the flow of goods and money on the Circular Flow chart (see Unit 1). After going over the example, ask students to explain how countries become dependent on scarce natural resources to increase the availability of products.

Ask students to list natural resources that are not available (or are in short supply) in the United States and that lead its import list (e.g., cocoa beans, diamonds, and petroleum). Ask students to explain how that affects the availability of certain products and the cost of those products, domestic versus import.

### **Activity 5: Analyzing Competition in the Economy (GLEs: 14, 15, 16)**

Materials List: Characteristics of Four Market Structures BLM

Have students list and define the four types of market structure (Pure or Perfect Competition, Monopolistic Competition, Oligopoly and Monopoly). Ask students “Are most markets perfectly competitive?” Discuss the factors that make a market perfectly competitive (i.e., many buyers and sellers, identical products, no ability to control price, ease of entry into the market). Using a *word grid* ([view literacy strategy descriptions](#)) students will complete the Characteristics of Four Market Structures BLM to help them understand the different types of market structures and their characteristics. (See BLM.)

### **Activity 6: Analyzing Marketing and Distribution of Goods (GLE: 8)**

Materials List: several print advertisements

Have students create a list of three examples of how producers (entrepreneurs) decide what to produce in response to price and anticipated wants of consumers. Ask students to examine three-to-five different print ads and explain how advertising provides information to consumers and creates demand (wants) for goods and services.

Simulate a marketing and distribution situation and ask student teams to form a marketing plan for a new product, a Woggle. The Woggle is similar to some other products, but it has unique qualities that might interest consumers. Have students determine exactly what their Woggle is—what it does, how it works, who needs it, and why—in order to know their product. Have students develop a marketing plan for Woggle, Inc. that creates and expands the market for Woggles to cover its manufacturing costs (e.g., costs of the factors of production). Guide their work so that their plans include the following:

- Advertising (Is this a cost of production?)
- Transportation routes to reach markets (Consider speed, cost, and reliability)
- Packaging the product (Consider cost, appeal and other factors)

Have teams present their marketing plans in class for peer evaluation.

**Activity 7: Cartels and Competition (GLE: 15, 17)**

Materials List: online lesson *Cartels and Competition* from the Foundation for Teaching Economics

The Foundation for Teaching Economics promotes excellence in economic education by providing teacher training and lessons for economics teachers to make them more effective. An activity (lesson) on *Cartels and Competition* can be found at <http://www.fte.org/teachers/programs/efl/lessons/wed/eflwed1.htm>. Students are divided into six teams and are led through a simulation in which they may choose to form a cartel. The website includes step-by-step procedures, as well as worksheets and visuals. It is important to complete the debriefing questions. There is a video explanation of the lesson at: <http://www.fte.org/teachers/programs/efl/lessons/wed/eflwed1video.htm>.

FTE grants permission for classroom use and invites teachers to visit their website for information on free programs for students and teachers. This lesson is demonstrated in FTE's "Economics for Leaders" program.

**Activity 8: Business Ownership: How Sweet It Can Be! (GLE: 20)**

Materials List: online lesson: *Business Ownership: How Sweet It Can Be*, small bag of Hershey Kisses or M & M's

A downloadable lesson plan on business ownership that should be used in this activity is *Business Ownership: How Sweet It Can Be*, which can be found at <http://www.econedlink.org/lessons/index.cfm?lesson=EM533&page=teacher>.

In this lesson, students research the three basic types of business organization: sole proprietorships, partnerships, and corporations. Considering the advantages and disadvantages of each, students function as consultants offering advice on which form of business is best suited for different business scenarios.

There is both a student and a teacher version. The teacher version includes: Key Economic Concepts, Lesson Objectives, Introduction, Resources, Process (procedures to be used including student questions and answers), Conclusion, and both Assessment and Extension Activities.

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## Sample Assessments

### General Guidelines

- Students should be monitored on all activities via teacher observation, report writing, class discussion, and journal entries.
- Use a variety of performance assessments to determine student understanding of content.
- Select assessments that are consistent with the types of products that result from the student activities.

### General Assessments

- Students will complete journal entries on teacher-selected topics.
- Students will write or give an oral explanation of how a lack of certain natural resources affects the availability of certain products and the costs of those products.
- Students will bring examples of market incentives cut out from the local newspaper. This may include sale papers, coupons, and rebates. Have students explain to the class how each one of their examples might affect consumer behavior.

### Activity-Specific Assessments

- Activity 1: Have students write summary statements on the strengths/weaknesses of a free market economy versus the strengths/weaknesses of a command economy. Students should explain why a free market economy champions efficiency while command economies champion security.
- Activity 7: Ask students to define *cartel* and *monopoly* and to explain how each impacts the marketplace. Ask students to write a rationale to explain why (1) collusion and cartels are illegal, and (2) monopolies are regulated by government.
- Activity 8: Have students complete the Business Organization: Advantages/Disadvantages BLM to demonstrate knowledge of the different types of business organizations. (See BLM.)

**Free Enterprise  
Unit 3: Supply and Demand**

**Time Frame:** Approximately two weeks



**Unit Description**

Students study how the principles of supply and demand determine price in a market economy.

**Student Understandings**

Students will understand that supply and demand determines price. Students use economic tools to explain and analyze how changes in supply and demand impact price, incentives, and profit.

**Guiding Questions**

1. Can students explain the factors that affect supply and demand?
2. Can students explain the effect that supply and demand have on prices?

**Unit 3 Grade Level Expectations (GLEs)**

<b>GLE #</b>	<b>GLE Text and Benchmarks</b>
<b>Individuals, Households, Businesses, and Governments</b>	
27.	Explain, analyze, and apply principles of supply and demand, including concepts of price, equilibrium point, incentives, and profit (E-1B-H1)
28.	Identify factors that cause changes in supply or demand for a product (e.g., complements, substitutes) (E-1B-H1)

**Sample Activities**

**Activity 1: Supply and Demand Vocabulary (GLEs: 27, 28)**

Materials List: 3x5 or 5x7 inch index cards (five for each student), overhead projector (optional)

To develop students' knowledge of key vocabulary, have them create *vocabulary cards* ([view literacy strategy descriptions](#)) for terms related to supply and demand. Distribute five 3x5 or 5x7 inch index cards to each student and ask them to follow the teacher's

directions in creating a sample card. On the board or overhead projector, place the targeted word “supply” in the middle of the card as in the example below. Ask students to provide a definition of the word and to write it in the appropriate space on the card. Next, ask students to write “law of supply” in the appropriate space. Then, have the students write “changes” on the card and list factors that may change supply. Finally, have the students write “illustration (graph)” in the last area of the card and create an illustration for supply.

Once the sample card is created, have students make their own cards for demand, price, equilibrium, incentives and profit. (There may not be an illustration for incentives and profit). The teacher may also include surplus and shortage. Allow time for students to review their cards and quiz each with their cards in preparation for quizzes and other class activities.

Definition :	Law of Supply:
SUPPLY	
Changes:	Illustration (graph):

**Activity 2: Supply and Demand (GLE: 27)**

Materials List: overhead projector (optional), Understanding Changes in Supply and Demand BLM

Help students get a clear definition of what demand is by first having them give their own definitions of demand, then writing those definitions on the board or overhead projector. Next, tell students that demand is defined as the “desire, willingness, and ability” to purchase something. Have students give examples of items they might have a desire for, yet do not have the ability to purchase.

Create a chart on the board or overhead and allow students to answer the following question:

How many of you would have the desire, willingness, and ability to purchase a slice of pizza during lunch if the price were \$.25? \$.50? \$1? \$1.50? \$2? \$2.50? \$3? \$3.50?

Have the students respond by raising their hands. (The students should raise their hands for every price that they would buy or demand a slice of pizza and the number of slices they would buy at that price; if at \$.25, they would purchase 2 or more slices, account for

those extra slices in their tally.) Remind them they must be able to make purchases (i.e. have the money to demand pizza). The following is an example of what should be placed on the board or overhead.

Price	Quantity Demanded
\$.25	
\$.50	
\$1.00	
\$1.50	
\$2.00	
\$2.50	
\$3.00	
\$3.50	

Note to students that there is an inverse relationship between price and quantity demanded. As price goes up, quantity demanded goes down, and vice versa. Next have students graph this curve, with price on the vertical axis and quantity on the horizontal axis.

Next, introduce the concept of supply to students. Have students take on the role of a pizza supplier. Explain the amount of work and expense that might go into making the pizza and then ask student how many slices they would supply at each of the following prices. Use the following graphic to demonstrate.

Price	Quantity Supplied
\$.25	
\$.50	
\$1.00	
\$1.50	
\$2.00	
\$2.50	
\$3.00	
\$3.50	

Note to students that there is a direct relationship between price and quantity supplied. Have students graph the results on the same graph they used for their demand results.

Define *equilibrium price*, and point out to students that the equilibrium price is where the two lines intersect.

Define *incentive*. Ask students to explain what incentive they might have for buying or supplying (selling) more pizza.

Use the Understanding Changes in Supply and Demand BLM to measure student understanding. (See BLM.)

### **Activity 3: Markets in Action (GLEs: 27, 28)**

Materials List: online lesson: *Markets in Action* by the Foundation for Teaching Economics

For this lesson have students maintain a *learning log* ([view literacy strategy descriptions](#)). During this lesson students will record new understandings, make and check predictions, and reflect on what has been learned. The Foundation for Teaching Economics promotes excellence in economic education by providing teacher training and lessons for teachers to make them more effective. An activity (lesson) entitled *Markets in Action* can be found at <http://www.fte.org/teachers/programs/efl/lessons/lesson4.htm>.

The lesson provides students with sample problems that allow students to apply the concepts they have learned into practical, more complex problems that have been reported in the news. The website includes step-by-step procedures, as well as three sets of problems and definitions. FTE grants permission for classroom use and invites teachers to visit their website for information on free programs for students and teachers.

When students complete this lesson, ask them to write an entry in their learning logs describing what they know about supply and demand now that they didn't know before participating in this activity.

### **Activity 4: When There is a Shortage or Surplus (GLE: 27)**

Materials List: Setting the Price BLM, overhead projector (optional)

Provide students with the regular (not sale) prices that area stores charge for identical items (i.e., 32-inch television, iphone, MP3 player). Start a discussion by asking these questions:

- What would happen if one store charges significantly more for these items on a regular basis?
- What would happen if one store charges significantly less for these items?
- Why might stores run out of these items?
- Why would a surplus be created if stores charged more than customers were willing to pay?

Provide students with a copy of Setting the Price BLM. Explain to students that prices are subject to supply and demand. Allow students time to read the scenario and answer the questions on the bottom of the BLM. Remind students that “Law of Demand” states that consumers will buy more of an item at lower prices than at higher prices, and the “Law of Supply” says that sellers will offer more for sale at higher prices than lower prices. Remind students that when there is a shortage, the market pressures the price upward, while a surplus pressures the market downward. Assist students as necessary in drawing the supply and demand curves by demonstrating on an overhead projector or chalkboard.

**Activity 5: Elasticity of Supply and Demand (GLEs 27, 28)**

Ask students to imagine a situation where consumers would demand (purchase) a product regardless of its price (e.g., batteries during a hurricane, insulin for a diabetic). Ask students to think of other products where inelastic demand may apply (e.g., emergency medical services, liability auto insurance). Have students place outline graphs on their own paper, following a whole-class model via projector, etc. Draw an extremely inelastic demand curve and ask students to imagine a situation where producers would supply (sell) a product almost regardless of price (e.g., tomato farmer when tomatoes are fully ripe). Ask them to think about what happens to the price of tomatoes in the growing season. Draw an extremely elastic demand curve and ask students why substitute products (see above) have elastic demand (e.g., a small change in price encourages consumers to substitute products). Draw an extremely elastic supply curve and ask students to explain why suppliers would be so sensitive to price (e.g., little profitability and producers leave the industry).

**Activity 6: Complementary and Substitute Goods (GLE: 28)**

Materials List: Analyzing Related Goods BLM

Ask students to explain what happens to the demand, price, and sale of cars if the price of tires increases or decreases. Either the teacher or the students should record their responses. (Note that every new car sold has five new tires.) Define *complementary goods*. Point out to students that they have probably seen producers take advantage of their knowledge of complementary goods in the sale of razor handles and razor blades. Ask students if they ever noticed that the price of razor handles is relatively inexpensive, yet the price of the blades is usually expensive. Explain to students that the two are complementary goods and that the demand for razor blades goes up when the price for razor handles drops. Ask students to consider what happens to the price of butter if the price of margarine decreases. Butter and margarine are substitute goods. What happens if the price of butter decreases? Define *substitute goods*.

With the graphical analyses of the previous activity in mind, ask students to consider what effect complementary goods would have on demand. Ask them to note that the prices of complementary goods move in the same directions. The prices of substitutes move in opposite directions. Provide students with a copy of the Analyzing Related Goods BLM. Allow students time to complete the chart and discuss the answers.

## Sample Assessments

### General Guidelines

- Use a variety of performance assessments to determine student comprehension.
- Select assessments consistent with the type of products that result from the student activities.
- Students should be monitored on all activities via teacher observation, report writing, class discussion, and journal entries.

### General Assessments

- Students will verbally state their conclusions about the nature of supply and demand through the activities in this unit.
- Students will create graphs of supply and demand given a list of prices and quantity supplied or demanded at each price.
- Students will write journal entries throughout this unit on their understanding of supply and demand.

### Activity-Specific Assessments

- Activity 2: In small groups or as individuals, students will create a cause and effect graphic on the effects of the following scenarios. If possible, students should use computers to generate the graphics.
  - Sellers collude and fix prices at a high level (How does this impact consumption? Would consumers be satisfied? Would there be a surplus or shortage of product? Would the collusion work? Explain your answer.)
  - Government gives a subsidy to sellers (How does this impact consumption? Would consumers be satisfied? Would there be a surplus or shortage of product? Explain your answer.)
  - Government sets price above the equilibrium price (Would there be a surplus or shortage of product? How does this impact consumption?)
  - Government sets price below the equilibrium price (Would there be a surplus or shortage of product? How does this impact consumption?)
- Activity 2: Students should complete the Understanding Changes in Supply and Demand BLM to demonstrate knowledge of how events affect supply, demand and price.
- Activity 4: Have students find examples from the Internet, newspapers, or magazines of complementary and substitute goods. Students should write an explanation for each pair of goods and why they are substitute or complementary goods, and how the price of one affects the demand for the other.

**Free Enterprise  
Unit 4: Production**

**Time Frame:** Approximately two weeks



**Unit Description**

Students study the factors of production in an economy and the conditions that affect the productivity.

**Student Understandings**

Students understand that production in an economy is affected by factors of production and by labor and management conditions and practices. Students learn that the productivity of an economy affects the standard of living.

**Guiding Questions**

1. Can students explain the relationship between productivity and standard of living?
2. Can students identify factors that increase productivity?
3. Can students rationalize the relationship between higher productivity and higher standard of living?
4. Can students explain the importance of labor-management relations and how labor relations affect the productivity and profits of business?

**Unit 4 Grade Level Expectations (GLEs)**

<b>GLE #</b>	<b>GLE Text and Benchmarks</b>
<b>Economics: Fundamental Economic Concepts</b>	
7.	Define <i>productivity</i> and characterize the relationship between productivity and standard of living (E-1A-H2)
8.	Explain the role of marketing and channels of distribution in economic decisions (E-1A-H2)
9.	Identify actions or conditions that increase productivity or output of the economy (E-1A-H2)
19.	Analyze the importance of labor-management relations and the effects of given labor and management practices on productivity or business profitability (E-1A-H6)

<b>Individuals, Households, Businesses, and Governments</b>	
30.	Identify factors affecting production/allocation of goods/services and characterize their effects (E-1B-H2)
<b>The Economy as a Whole</b>	
48.	Define productivity and characterize the relationship between productivity and standard of living (E-1C-H1)

### Sample Activities

#### Activity 1: Production (GLEs 7, 8, 19)

Materials List: True-False Quiz on Production BLM

Present students with the True False Quiz on Production BLM which is an *opinionnaire* ([view literacy strategy descriptions](#)) that encourages students to take a position and defend it. Have students work in pairs to read and discuss each statement. Then, have students write their reasons for their opinions. An answer sheet is provided for the teacher with a defense for each answer. (See BLM.)

#### Activity 2: Centuries of Economic Growth: From Feathers to Robotics (GLEs 7. 9, 48)

Materials List: computer, Internet access, *Centuries of Economic Growth: From Feathers to Robotics* lesson plan from NCEE, copies of activities 1 and 2 from the NCEE lesson plan, transparencies of visuals 1 and 2 from the NCEE lesson plan, overhead projector

*Centuries of Economic Growth: From Feathers to Robotics* is a downloadable lesson plan provided by the National Council for Economic Education at the following website: <http://www.ncee.net/ei/lessons/lesson6/>. In this lesson students will read scenarios about the production of Bibles over five historical time periods. In small groups, students will create skits and gather information to determine the impact of economic growth. Provide students with copies of activities 1 and 2 from the NCEE lesson plan, and use transparencies of visuals 1 and 2 from the lesson plan. All activity sheets and visuals are available for download directly from the website. This activity will take two class periods to complete.

### **Activity 3: The Job Jungle (GLEs: 7, 9, 30, 48)**

Materials List: *Job Jungle* lesson plan from FTE, blue and green index cards, colored pens, copies of Output and Marginal Product Schedule, prizes for winning worker and employer

The Job Jungle: <http://www.fte.org/teachers/programs/efl/lessons/thurs/eflthurs1.htm> is a class simulation created by teachers for the Foundation for Teaching Economics, which grants permission for classroom use. Students act as employers, educators and workers to discover the importance of productivity and investing in one's human capital. Have students complete the Output and Marginal Product Schedule from the *Job Jungle* lesson plan.

### **Activity 4: Does America Need a National Right-to-Work Law? (GLE: 19)**

Materials List: overhead projector (optional), Does America Need a National Right-to-Work Law? BLM

Before asking students to write a summary of positions taken on the national right-to-work law, teach them the writing process for a summary. Using *GISTing* ([view literacy strategy descriptions](#)) place these fundamental characteristics of *GISTing* on the board or overhead projector:

- Shorter than original text
- A paraphrase of the author's words and descriptions
- Focused on the main points or events in the original text

Read the first paragraph of the Does America Need a National Right-to-Work Law? BLM aloud with students and summarize it in twelve words. (See this BLM.) The students are to decide what is important to keep and what should not be kept from the original text. Always begin the first sentence of the gist with what is in the reading selection. Identify the main idea of the selection. Repeat this process with the second paragraph.

### **Activity 5: Simulating Labor and Management Relations (GLE: 19)**

Materials List: overhead projector (optional)

Ask students: Do producers (companies) benefit from good labor-management relations? Why or why not? Record their answers on the board/overhead projector/chart.

In small groups, pairs, or individually, have students consider all of the following questions and take notes on their ideas/discussion:

- What if management expects too much of laborers (e.g., sets productivity levels too high)?
- How might laborers respond (e.g., work slowdowns)?
- What is likely to be the result of a situation where workers are unhappy (labor unrest) with working conditions?
- If labor unrest occurs, what will be the impact on productivity and total output?
- If management has alternatives (introducing new machines to replace laborers), how might labor unrest influence employment of workers?

Divide students into two groups—workers and managers. (It may be appropriate to make the workers the larger of the two groups.) Simulate an environment where workers are unhappy with their working conditions and wages. Assign students to roles as workers and managers confronting this problem. Ask students to come to a consensus or compromise to resolve conflict by a specific time deadline, or explain why a conflict resolution is not possible by the deadline, and give a specific plan for continuing attempts at resolution. At the completion of this activity have the students enter a journal entry detailing their experience in settling this labor-management dispute.

#### **Activity 6: Relating Productivity to Incomes (GLE: 30)**

Return to the *Circular Flow* chart (see Activity 4 in Unit 1), ask students to explain how goods/services are allocated to consumers by their price (what they are willing to pay) in the marketplace. Ask students to explain why consumers spend (or save) their incomes to buy what they need and want. Ask students to explain why consumer incomes are determined by the amount of factors of production that producers offer for sale and consumers are willing to purchase.

Ask students to write a log in their journal explaining how there is a correlation between the price of goods and incomes and to the productivity of the factors of production used in producing those goods and incomes. Students should hypothesize in their log as to why some incomes (professional athletes', for example) are so high, while others are relatively low. Ask for student volunteers to share their journal entries as part of a class discussion. Have students exchange their paper with a partner and have the partner respond to a specific question about the journal entry they are reading.

## Sample Assessments

### General Guidelines

- Students should be monitored on all activities via teacher observation, report writing, class discussion, and journal entries.
- Use a variety of performance assessments to determine student comprehension.
- Select assessments consistent with the type of products that result from the student activities.

### General Assessments

- Students should write a report explaining how productivity, income, and standard of living are related.
- Students should complete journal entries on teacher-selected topics during the unit.
- Students should find a current events article on labor-management relations, productivity, or standard of living. Students should summarize the article and write how this article is related to what they have learned in class.

### Activity-Specific Assessments

- Activity 1: In groups or pairs, ask students to come up with a definition of *standard of living* and explain in a statement or two how it is related to incomes and wages. Ask students to apply this definition as they explain how the standard of living of Americans is linked to the productivity of each factor of production (e.g., land, labor, capital, and management).
- Activity 3: Ask students to review what they have learned from the *Job Jungle*. What factors would they use to determine whether or not to continue education/training after high school? Are there any disadvantages to improving their human capital? Have students present these summary statements to the class.
- Activity 5: Current Events Article: Have students find a news article related to positive labor-management relations. In their summary of the article, they should write how a productive relationship is beneficial to labor and management. Use the Current Events Article Rubric BLM for grading this item.

**Free Enterprise**  
**Unit 5: Money, Banking and the Federal Reserve**

**Time Frame:** Approximately two weeks



**Unit Description**

Students study the role of economic institutions in the U.S. economy.

**Student Understandings**

Students will understand that the banking system regulates the supply of money and provides services to consumers. Students will learn that financial markets provide capital for economic growth. Students will learn that interest rates impact both business and consumers. Students will understand the role of regulatory agencies in managing the U.S. economy. Students will apply their knowledge of the role of economic institutions to an historical economic issue or situation.

**Guiding Questions**

1. Can students explain the purpose and importance of banks to economic systems?
2. Can students identify the purpose and importance of financial markets?
3. Can students explain the role and importance of the Federal Reserve System?
4. Can students identify the purpose and importance of the FDIC?
5. Can students explain the role of interest and interest rates on the economy?

**Unit 5 Grade-Level Expectations (GLEs)**

<b>GLE #</b>	<b>GLE Text and Benchmarks</b>
<b>Economics: Fundamental Economic Concepts</b>	
10.	Explain the skills, knowledge, talents, personal characteristics, and efforts likely to enhance prospects of success of finding a job in a particular field.
17.	Analyze the role of various economic institutions in economic systems (E-1A-H6)
22.	Analyze the role of banks in economic systems (e.g., increasing the money supply by making loans) (E-1A-H7)
23.	Describe the functions and purposes of the financial markets (E-1A-H7)
24.	Compare and contrast credit, savings, and investment services available to the consumer from financial institutions (E-1A-H7)

GLE #	GLE Text and Benchmarks
25.	Apply an economic concept to analyze or evaluate a given economic issue or situation (e.g., causes of the Great Depression, how the New Deal changed the role of the federal government) (E-1A-H8)
GLE #	GLE Text and Benchmarks
<b>The Economy as a Whole</b>	
53.	Describe the effects of interest rates on businesses and consumers (E-1C-H2)
63.	Explain the role of the Federal Reserve System as the central banking system of the United States (E-1C-H4)
65.	Explain the role of the Federal Deposit Insurance Corporation (FDIC) (E-1C-H4)

### Sample Activities

#### Activity 1: The Role of a Bank Teller (GLEs: 10, 17)

Materials List: Internet access, online lesson: “The Role of a Bank Teller”

The EconEdLink is a resource of economic lessons provided by the National Council for Economic Education. In this lesson, “The Role of a Bank Teller,” students will define the role of a bank teller and learn about the responsibilities of and skills needed to be a bank teller.

The teacher version of this lesson can be found at <http://www.econedlink.org/lessons/index.cfm?lesson=MM367&page=teacher>, where the teacher will find links to activities, articles, and a workshop for students to conduct an interview with a bank teller. Local banks are often willing to send bank tellers or other personnel to speak in classrooms.

The student version of this lesson provides a step-by-step process for students to read (through hyperlinks) about the skills required of bank tellers and gives them the opportunity to share what they learn with their classmates. The student version of this lesson can be found at <http://www.econedlink.org/lessons/index.cfm?lesson=MM367>. It includes an assessment and a follow-up activity.

#### Activity 2: Banking Basics (GLEs: 22, 24, 65)

Materials List: Banking Basics publication

Banking Basics is a publication of the Boston Branch of the Federal Reserve Bank and is available free (order at <http://www.bos.frb.org/education/pubs/bankingbasics.htm>) and online in PDF format. The publication provides students with easy to understand answers

to common questions about banking. To help students comprehend the text, use the *Directed Reading – Thinking Activity* or *DRTA* ([view literacy strategy descriptions](#)). DRTA is a strategy for guiding readers through a text. Readers make predictions about what they will read next and confirm or refute their predictions by reading. This approach improves critical thinking skills while building vocabulary and comprehension.

Take students through the following steps:

- Introduce background knowledge. (What do students know about banking?)
- Make a prediction. (What do you expect to learn about banking from this publication?)
- Read a section, stopping at predetermined places to check and revise the prediction. (Was what you predicted correct?)
- Once the reading is completed, use student predictions as a discussion tool. (How did what you read change what you know about banking?)

Emphasize to students that they should use this same process when they read other materials on their own.

### **Activity 3: The Stock Market Game (GLEs: 17, 23)**

Materials List: Internet access, computers, registration for the Stock Market Game

The Stock Market Game (SMG) is an online simulation which allows students to learn about the risks and rewards of investing. The game is conducted in the fall and the spring and runs fifteen weeks, beginning in early September (fall) and mid-January (spring). Students compete with other students around the state working in teams to create the best performing portfolio using a live, real-time simulation. Students can access accounts at and away from school. The SMG is conducted in Louisiana by the Louisiana Council for Economic Education, which provides teacher training and technical support. Students participating in the SMG compete for cash awards, as well as being eligible to participate in InvestWrite, a nationwide writing contest. A teacher guide, rules, and sample lessons are provided on the website for teachers with teams participating in the game. Local stock brokers are often available to speak to classes about investing. There is a per team fee to participate. Registration and information is available at [www.smgww.org](http://www.smgww.org).

For teachers unable to find help with registration fees, have students choose three or four stocks which they believe will increase in price and follow the price of the stocks throughout the semester. Have students compete within the class to see who can predict which stock prices will increase during the semester.

#### **Activity 4: Analyzing Business Cycles (GLEs: 25, 65)**

Review historical events that produced the Great Depression in 1929. Discuss the following:

- Why did the supply of money (credit) continue to grow?
- Why did stock prices rapidly escalate and what was the role of banks in that escalation?
- Why did the stock market crash (rapidly falling prices)?
- Why were banks forced to close their doors?
- What happened to bank deposits in banks that closed permanently?
- What happened to the supply of money after 1929?

Have students define recession and depression. Have students explain how a depression can happen.

Ask students to construct a flow chart *graphic organizer* ([view literacy strategy descriptions](#)) of a business cycle using the following economic terms appropriately: *inflation, boom, prosperity, high employment, deflation, recession, bust, and high unemployment*. *Graphic organizers* are visual illustrations of verbal statements. Ask each student to explain stages in the business cycle model. The failure of banks in 1929 caused many depositors to lose their money. People became skeptical of bank safety. Ask students to research the origin and purpose of the Federal Deposit Insurance Corporation (FDIC) created in 1933 as part of the New Deal. Today, under the FDIC, the government insures (guarantees) all demand deposits up to \$100,000 in any one bank. Ask students to explain how an individual could insure more than \$100,000. Should these limits be changed? Have students articulate a rationale for why or why not.

#### **Activity 5: Judging the Impact of Interest Rates (GLE: 53)**

Materials List: The Impact of Interest Rates Opinionnaire BLM

Using the *opinionnaire* strategy ([view literacy strategy descriptions](#)) presents students with a copy of The Impact of Interest Rates Opinionnaire BLM. After students have completed this page, discuss each statement. Stress to students that interest rates are the price that is paid to use money. The principles of supply and demand (see Unit 3) can be used in determining how businesses and consumers will react to an increase or decrease in the interest rate.

### **Activity 6: Monetary Policy Basics (GLE: 63)**

Materials List: “Monetary Policy: An Introduction” publication or Internet access, Vocabulary Self-Awareness BLM

The Federal Reserve System provides the publication “Monetary Policy: An Introduction” that can be accessed on the Internet as web pages or in pdf format. The web version’s address is

<http://www.frbsf.org/publications/federalreserve/monetary/index.html> and the PDF address is

<http://www.frbsf.org/publications/federalreserve/monetary/MonetaryPolicy.pdf>.

Teachers may also order one complimentary copy from the San Francisco branch of the Federal Reserve.

As students read the hard copy (if ordered from the Federal Reserve) or the Internet version of “Monetary Policy: An Introduction” distribute copies of the *Vocabulary Self-Awareness BLM* ([view literacy strategy descriptions](#)) worksheet for each student. As the students read the publication, have them complete the worksheet. They may add additional vocabulary words as they read. Students should complete a journal entry after the reading. Students should revisit their charts regularly since the goal is to have all minuses and asterisks changed to pluses by the end of the unit.

## **Sample Assessments**

### **General Guidelines**

- Use a variety of performance assessments to determine student understanding of content.
- Select assessments that are consistent with the types of products that result from the student activities.
- Students should be monitored on all activities via teacher observation, report writing, class discussion, and journal entries.

### **General Assessments**

- Students should complete journal entries throughout the unit in which they relate the topics discussed to their own personal experiences. These journals may also be reflections on what they learned by the end of the class. For instance, students might answer, “What I learned,” “What I would like to know more about,” and “What I don’t understand” after a concept has been taught in order to better evaluate student understanding.
- Students should work in pairs to teach a particular concept from the unit to the class. The group should be knowledgeable about their assigned topic. They should

- provide visuals to aid their classmates in learning, and they should create a short quiz for the class to take on that particular topic.
- Students should contact one of the financial institutions discussed in class by email, telephone, or regular mail. They should request information from one of these institutions, and then present their findings to the class.

### **Activity-Specific Assessments**

- Activity 1: Have students complete an optional extension activity in the EconEdLink lesson. In pairs, have students interview a local bank teller, using the handout sheet provided in “The Role of a Bank Teller” lesson, and write a reaction paper to their interview.
- Activity 5: Simulate a case study of a family purchasing a new car and borrowing \$25,000 at 3%, 9%, 15% and 21% interest rates to pay for it. Have students compute monthly payments and the costs of the loan over five years. Have students articulate how increased interest rates influence the family’s decision about purchasing a new car.
- Activity 6: Working in pairs or small groups, students should create their own graphics or cartoon to show how the Federal Reserve can affect the money supply in the economy. Students should also show in this graphic what happens to interest rates when the money supply expands or contracts. Students should explain their graphics to the class.

## Unit 6: Economic Indicators

**Time Frame:** Approximately two weeks



### Unit Description

This unit is a study of how economic measurement tools are used to interpret and explain the condition of the U.S. and international economies. This unit is a study of the impact of inflation and employment in a market economy.

### Student Understandings

Students know that economic indicators are used to measure the well-being of an economy. Students use economic indicators in charts, tables, or graphs to compare different economies, interpret income distributions, and explain economic concepts such as inflation and deflation. Students understand that inflation impacts the well-being of economies and influences economic decisions. Students understand the reasons for unemployment and “underemployment” in a market economy and its relationship to business cycles.

### Guiding Questions

1. Can students identify the purpose and importance of economic indicators and how they provide information on different types of economies?
2. Can students define inflation and deflation?
3. Can students interpret economic information from charts and graphs?
4. Can students explain the effect and importance of inflation and deflation on the economic decisions of individuals, nations and the world?
5. Can students define the role of unemployment and underemployment in the economy?

### Unit 6 Grade-Level Expectations (GLEs)

GLE #	GLE Text and Benchmarks
<b>The Economy as a Whole</b>	
47.	Explain the meaning or use of various economic indicators and their implications as measures of economic well-being (E-1C-H1)
49.	Interpret various economic indicators used in a chart, table, or news article (E-1C-H1)
50.	Draw conclusions about two different economies based on given economic indicators (E-1C-H1)

GLE #	GLE Text and Benchmarks
51.	Explain how inflation and deflation are reflected in the Consumer Price Index (E-1C-H2)
52.	Explain the impact of inflation/deflation on individuals, nations, and the world, including its impact on economic decisions (E-1C-H2)
56.	Explain various causes and consequences of unemployment in a market economy (E-1C-H3)
57.	Analyze regional, national, or demographic differences in rates of unemployment (E-1C-H3)
58.	Analyze the relationship between the business cycle and employment (E-1C-H3)
59.	Explain the meaning of “underemployment” and analyze its causes and consequences (E-1C-H3)
61.	Interpret a chart or graph displaying various income distributions (e.g., in the United States vs. the Third World, various groups within a country) (E-1C-H3)

### Sample Activities

#### Activity 1: Vocabulary (GLEs: 47, 59)

Materials List: 3x5 or 5x7 inch index cards (five for each student), overhead projector (optional)

To develop students’ knowledge of key vocabulary, have them create *vocabulary cards* ([view literacy strategy descriptions](#)) for terms related to this unit. Distribute five 3x5 or 5x7 inch index cards to each student and ask them to follow the teacher’s directions in creating a sample card. On the board or overhead projector, place the targeted term “Gross Domestic Product” in the middle of the card (see example below). Ask students to provide a “definition” of the term and to write it in the appropriate space on the card. Next, ask students to write “components” in the appropriate space. Then, have the students write “current” on the card and find the latest estimate for the U. S. Gross Domestic Product. Finally, have the students write “illustration” in the last area of the card and create an illustration for GDP.

Definition :	Components: C + I + G + NE
Total value of final goods and services produced in a country in a year	
GROSS DOMESTIC PRODUCT	
Current:	Illustration :
\$13.2 trillion 2006 est.	Varies by student

Once the sample card is created, have students make their own cards for: Consumer Price Index, inflation, deflation, unemployment, underemployment, and business cycle. The teacher may adjust categories (such as “winners/losers” for inflation or “phases” for the business cycle) to fit each term. Allow time for students to review their cards and quiz each other with their cards in preparation for quizzes and other class activities.

### **Activity 2: Case Study: The Inflation Rate (GLEs: 47, 49, 51, 52)**

Materials List: *Case Study: The Inflation Rate – June 2005*, EconEdLink Internet-based lesson from the National Council for Economic Education

Use *Case Study: The Inflation Rate – June 2005*, an EconEdLink Internet-based lesson from the National Council for Economic Education. In this lesson, students will examine charts and determine how the Consumer Price Index (CPI) is calculated. The complete lesson can be found at <http://www.econedlink.org/lessons/index.cfm?lesson=EM621&page=teacher>. Students will be guided through charts and graphs and a series of online activities. At the end of the activity are several questions that can be used as an assessment tool.

### **Activity 3: Types of Unemployment (GLEs: 47, 56, 57, 58)**

Materials List: Types of Unemployment BLM, Internet access (optional), newspapers or magazines

Explain to students that there are different types of unemployment and that not all unemployment is necessarily negative. First, ask students to give their own reasons why people might be employed. Next, point out to students that a person is only considered unemployed if he/she works less than one hour a week. Go through with students the different types of unemployment—frictional, structural, cyclical, and seasonal.

Frictional unemployment is caused by workers between jobs. Is this type of unemployment always bad? When could this type of unemployment be seen as a positive?

Structural unemployment occurs when consumers no longer demand a product, resulting in those who make that product no longer being employed (e.g., typewriter producers). How might the causes of structural unemployment be something positive for the economy? (The country might be becoming more technologically advanced).

Cyclical unemployment is unemployment caused by changes in the business cycle. (People are less likely to buy luxury items in times of a recession, resulting in industries that produce those items laying off workers).

Seasonal unemployment is unemployment caused by changes in the season. For example, one who owns a Christmas store will need more workers in the holiday season than in the off-season.

Have students complete the Types of Unemployment BLM. Explain to students why a society that is improving technologically could never have 0% unemployment. Students should also explain how a low unemployment level indicates economic well-being.

Have students find news articles in which politicians might quote unemployment figures to gain an advantage in an election. (Students may use older news magazines if necessary).

#### **Activity 4: Closing the Gap (GLEs: 47, 50, 61)**

Materials List: *Closing the Gap*, EconEdLink Internet-based lesson from the National Council for Economic Education

Use *Closing the Gap*, an EconEdLink Internet-based lesson from the National Council for Economic Education. In this lesson students will learn how to calculate the GDP per capita as well as how GDP per capita is used to compare countries. The complete lesson can be found at

<http://www.econedlink.org/lessons/index.cfm?lesson=EM602&page=teacher>. Students will be guided through charts and graphs and a series of online activities. The extension activity at the end of the lesson is a chance for students to practice *brainstorming* ([view literacy strategy descriptions](#)). *Brainstorming* can be used as an effective method to activate what has been learned.

#### **Activity 5: Analyzing Inflation (GLE: 52)**

Review with the class the definition of *inflation*. Remind students that there are two basic causes of inflation. As a class, define *cost-push* and *demand-pull* as two causes of inflation. Have students demonstrate their understanding of the effects of inflation on different groups of people by completing a *RAFT* writing assignment ([view literacy strategy descriptions](#)). This form of writing gives students the freedom to project themselves into unique roles and look at content from unique perspectives. The *RAFT* writing assignment is used here to describe a point of view on the effects of inflation. In small groups or individually, have students choose one of the following four roles to write a letter to the editor of a local newspaper expressing their concerns about inflation.

- A producer whose costs are so high that profits are squeezed by more efficient competitors.
- A consumer who lives on a fixed income.
- A consumer who holds a 30-year mortgage on his/her home.
- A banker who has made low-interest-rate loans on home mortgages.

Remind students to write the following *RAFT*:

**R**- Role (role of the writer—one of the four listed above)

**A**- Audience (readers of letters to the editor in a local newspaper)

**F** - Form (a letter)

**T**- Topic (Inflation and its effect on the writer’s life)

### **Activity 6: Where Did too many Dollars Come from? (GLE: 52)**

Materials List: small bowl or coffee can type of container; one set of red 3" x 3" cards, numbered 1 – 35; one set of blue 3" x 3" cards, numbered 36 – 70; one set of white 3" x 3" cards numbered 71 – 105; Internet access

This activity, a prize-winning lesson from the Foundation for Teaching Economics, allows students to experience inflation to better understand its causes and results. The students will participate in a simulation that allows them to experience what happens when there are “too many dollars chasing too few goods.” The lesson can be found at [http://www.fte.org/teachers/lessons/prize/where\\_2many\\$.htm](http://www.fte.org/teachers/lessons/prize/where_2many$.htm) and includes step-by-step directions for the teacher, as well as a set of objectives.

## **Sample Assessments**

### **General Guidelines**

- Students should be monitored in all activities via teacher observation, report writing, class discussion, and journal entries.
- Use a variety of performance assessments to determine student understanding of content.
- Select assessments that are consistent with the types of products that result from the student activities and develop a scoring rubric collaboratively with other teachers or students.

### **General Assessments**

- Students should interview family members and create a list of products that might have been included in a market basket thirty years ago that would probably not be included in a market basket today. Students should write explanations for their choice of products.
- Students should find articles in a newspaper or news magazine that discuss unemployment of a particular group of people or of a group of people formerly employed in the same industry. Students should classify what type of unemployment is being discussed. Students should also analyze the causes of unemployment for this group.

- Students should write a journal entry on how inflation could possibly affect their families. Students should consider paying higher prices for goods, lagging incomes, and reducing consumption. Students should also answer in these entries how inflation could directly affect their lives.

### Activity-Specific Assessments

- Activity 2: At the end of the online lesson the teacher will find one policy question: “What should the Federal Reserve do with its monetary policy given this month's consumer price index announcement? Explain why.” Have students answer this question, along with the five multiple choice questions at the end of the online lesson.
- Activity 3: Have students write a definition of underemployment. In groups, students should create scenarios where underemployment might occur. The following is an example of the type of scenarios students should write:

*Corporations in 2001 had to release skilled and knowledgeable middle managers to achieve profitability. With demand for middle managers low, these individuals accepted jobs requiring less skill and knowledge.*

- Activity 5: Ask students, in small groups, to write a rationale to explain the effects of inflation. They should create at least five scenarios in which they explain the effects of inflation. Students should present these new scenarios to the class.

**Free Enterprise**  
**Unit 7: Government Policy and Taxation**

**Time Frame:** Approximately two weeks



**Unit Description**

This unit focuses on the role of the government in a market economy in establishing fiscal and taxation policy.

**Student Understandings**

Students understand that government impacts an economic system as producer, employer, and consumer. Students understand that there is a debate among scholars about how involved the government should be in the American economy. Students understand that government establishes economic policies for the purpose of regulating economic behavior. Students learn that government is financed through various forms of taxation. Students learn how tax policy affects the U.S. economy.

**Guiding Questions**

1. Can students identify the purpose and importance of different types of taxes and how they impact individuals and businesses?
2. Can students explain how and why government intervention has an effect on the economy?
3. Can students explain how federal spending and taxation are related to budget deficits, national debt and surpluses?
4. Can students identify the instances when government must step in and provide goods and/or services that will not be produced in the free market?
5. Can students distinguish between fiscal and monetary policy and explain the role of government policy on the economy?

**Unit 7 Grade-Level Expectations (GLEs)**

<b>GLE #</b>	<b>GLE Text and Benchmarks</b>
<b>Economics: Fundamental Economic Concepts</b>	
18.	Explain the role of government as producer, employer, and consumer in economic systems (E-1A-H6)
<b>Individuals, Households, Businesses, and Governments</b>	
33.	Identify various forms of taxation (E-1B-H3)
34.	Describe the impact of given forms of taxation (E-1B-H3)

GLE #	GLE Text and Benchmarks
35.	Analyze the effects of governmental action or intervention in a market economy (E-1B-H3)
36.	Describe major revenue and expenditure categories and their respective proportions of local, state, and federal budgets (E-1B-H3)
37.	Predict how changes in federal spending and taxation would affect budget deficits and surpluses and the national debt (E-1B-H3)
38.	Evaluate the impact of policies related to the use of resources (e.g., water use regulations, policies on scarce natural resources) (E-1B-H3)
<b>The Economy as a Whole</b>	
60.	Explain factors contributing to unequal distribution of income in a market economy (E-1C-H3)
62.	Distinguish monetary policy from fiscal policy (E-1C-H4)
64.	Explain the role of regulatory agencies in the U.S. economy (E-1C-H4)

### Sample Activities

#### Activity 1: Role of Government Vocabulary (GLE: **18**)

Materials List: 3x5 or 5x7 inch index cards (five for each student), overhead projector (optional)

Inform the class that it is time to consider the role government plays in producing certain goods and services in the American economy. Note that most of the goods and services produced in the economy are done so by the ‘private sector.’ Houses, books, cars, computers, and televisions are all produced by private businesses. However, some goods and services are produced by the government, such as public schools, police and fire protection, national defense, and the levee system. Ask students why certain goods and services are produced in the private sector while others must be produced by the government.

Explain to students that goods and services produced in the public sector (by the government) are paid for by everyone through tax dollars. Goods and services in the private sector benefit only the purchaser of those goods, but public goods often benefit payer and non-payer.

To develop students’ knowledge of key vocabulary, have them create *vocabulary cards* ([view literacy strategy descriptions](#)) for terms related to the role of government in the economy. Distribute five 3x5 or 5x7 inch index cards to each student and ask them to follow the teacher’s directions in creating a sample card. On the board or overhead projector, place the targeted word “private good” in the middle of the card as in the example below. Ask students to provide a definition of the word and to write it in the appropriate space on the card. Next, ask students to write “Example” in the appropriate space and to provide an example of a private good. Then, have the students write

“Characteristics” on the card and list the characteristics of a private good. Finally, have the students write “Illustration” in the last area of the card and create an illustration of a private good.

Once the sample card has been created, have students make their own cards for public good, free rider, shared consumption, and non-exclusion. Allow time for students to review their cards and to quiz each other with their cards in preparation for later quizzes and other class activities.

Definition : GOODS NOT PRODUCED BY GOVERNMENT	Example: BREAD
Private Good	
Characteristics: EXCLUDABLE AND RIVALROUS	Illustration: VARIES

### Activity 2: Taxation (GLEs: 33, 34)

Materials List: Understanding Different Types of Taxes BLM, Taxation Opinionaire BLM

Benjamin Franklin famously said, “In this world nothing is certain but death and taxes.” Ask students what he meant by that statement and discuss their answers.

Government taxes people in many different ways. Ask students to discuss taxes that they or their parents must pay. Ask them how they *feel* about paying taxes. Almost everyone dislikes paying taxes, but they realize that they must do so to pay for the costs of government. Have students complete the Taxation *Opinionaire* ([view literacy strategy descriptions](#)) BLM.

Explain the three major types of taxes: Progressive, Proportional, and Regressive. Discuss the fairness of each. Explain that some taxes are based on the theory of “Ability-to-Pay,” while others are based on the “Benefits-Received” theory. Discuss the differences between these theories and give examples of each.

Have students complete the Understanding Different Types of Taxation BLM. (See this BLM.) While answers may vary on whether a tax is fair or not, allow students to discuss reasons for their decisions about the fairness of each tax.

### **Activity 3: Analyzing the Impact of Government Taxes and Government Intervention in the Economy (GLEs: 34, 35, 36)**

Ask students to create a list of all the taxes their family pays and post the list on the board. Add taxes that are often hidden or disguised (e.g., license fees, soft drink taxes).

Ask students to explain the impact of each of the following taxes on consumers and producers:

- Real estate taxes—reduces expendable consumer income by the amount of the tax; adds to the cost of production as taxes are paid on capital (e.g., buildings).
- Sales tax—increases the price of products to the consumer; has less impact on the production process.
- Consumption taxes on cigarettes and liquor (sin tax)—taxes on an inelastic demand which produces abundant government revenue while possibly reducing consumption of an undesirable product; could severely reduce the sales and production levels of producers.

(Teachers may add more examples to the list above.)

As a class, reach a consensus on defining taxation inductively as a transfer of money from individual incomes to the government—or a transfer in purchasing power. Taxes transfer purchasing power to government in order to provide schools (local), roads (state), and a military (national).

Government may also intervene in the economy to correct perceived problems. Ask students to analyze the following governmental actions and predict their effects on the economy (add other examples):

- Government agrees to maintain the price of milk and butter by buying surplus supplies of dairy products.
- Government creates public works projects to employ laborers who have been unemployed.

Assign student teams to research the annual budgets of the parish, Louisiana, and federal governments. Ask them to create circle graphs illustrating the major categories of expenditures and revenues for each level of government (e.g., show raw numbers and percentages). When comparing expenditures and revenues, ask students to explain debt and service on debt.

- Do governments operate a balanced budget?
- Is governmental borrowing (i.e., borrowing purchasing power now for repayment in the future) a good thing?
- When is a deficit a problem?

**Activity 4: Analyzing Federal Budgeting, Responsibilities and the Economy**  
(GLEs: 37, 38)

Using data produced in the previous activity, ask students to explain the impact on the economy if the government balanced budgets and avoided deficits or surpluses.

Provide students with a 50-year history of national debt in the United States. Many websites provide such information. An example can be found at <http://zfacts.com/p/318.html>. Ask students to respond to the following questions:

- When does the government seem to incur debt (run deficits) and when does it pay the debt down (run surpluses)?
- What would be the impact of a tax increase to pay down the national debt?
- What would be the impact if government cut expenditures to pay down the national debt?
- If the country had high levels of unemployment, how would paying down the national debt create more problems?
- What should be done if the country has low levels of unemployment?

Ask students to challenge or defend the following statement:

The best argument for government regulations of the use of natural resources is that the private cost to businesses should be equal to or less than the social benefits to the public.

**Activity 5: Why Does Brett Favre Make \$8.5 Million Per Year? (GLE: 60)**

Materials List: Internet access, online lesson: “Why Does Brett Favre Make \$8.5 Million Per Year?”

The EconEdLink is a resource of economic lessons provided by the National Council for Economic Education. In this lesson, “Why Does Brett Favre Make \$8.5 Million Per Year?,” students will examine why professional athletes make so much more money than very important persons in society, such as police officers, firefighters and teachers.

The teacher version of this lesson can be found at <http://www.econedlink.org/lessons/index.cfm?lesson=EM650&page=teacher>, where the teacher will find links to activities, articles, and labor statistics.

The student version of this lesson provides students with a link to an Occupational Data Chart for students to complete accessing information from the U. S. Department of Labor website (through hyperlinks) about the salaries of teachers and athletes. The student version of this lesson can be found at <http://www.econedlink.org/lessons/index.cfm?lesson=EM650>, which includes an assessment and an extension activity.

### **Activity 6: Our Progressive Income Taxes (GLE: 33)**

Materials List: 1040EZ forms for each student, sample W-2 forms

Explain to students that progressive income taxes are paid in the United States. The more money one makes, the greater percentage he/she pays in income taxes. Some argue that a flat/proportional tax would be a better tax because everyone would be taxed the same percentage. People would still pay different amounts in taxes, but the percentage would be the same. For example, a 10% flat tax would require one who makes \$20,000 a year to pay \$2,000 a year, while someone who made \$200,000 a year would pay \$20,000 in taxes.

Provide students with information on tax brackets so they may see the percentage of income taxes people pay with varying incomes.

Provide students with 1040EZ forms and sample W-2s. 1040EZ forms can be found on line at <http://www.irs.gov/pub/irs-pdf/f1040ez.pdf> or at most local post offices. Blank sample W-2 forms can be found at [http://www.apwu.org/dept/sec-treas/stirsforms\\_w2.pdf](http://www.apwu.org/dept/sec-treas/stirsforms_w2.pdf). Instruct the students to complete the 1040EZ forms following the instructions provided. Allow students to use the tax tables so they may see the progressive nature of taxes paid.

### **Activity 7: A Comparison of Monetary and Fiscal Policy (GLE: 62)**

Materials List: Fiscal and Monetary Policy BLM

Explain to students that monetary policy is control of the money supply by the nation's central bank, the Federal Reserve System. The Federal Open Market Committee, a component of the Federal Reserve, reacts to a slowing economy by expanding the money supply and lowering interest rates, thus encouraging increased spending. The FOMC reaction to increasing inflationary pressures is to decrease the money supply and raise interest rates, thereby slowing growth in spending.

Fiscal policy is the taxing and spending policies of the federal government. Those policies also have the potential to influence economic conditions whether deliberately or as an unintended consequence of changes in taxes and spending adopted for reasons other than to influence economic conditions. If the economy is entering a recession, fiscal policy response might be to increase government spending and to lower taxes. If spending in the economy is growing too rapidly, the fiscal response might be to decrease government spending and to increase taxes.

In those processes, there will be debates in Congress about what to do with spending and taxes in order to stimulate or slow overall spending in the economy. These debates normally take a substantial amount of time. This lag points to one of the key differences between fiscal and monetary policy. Fiscal policy is much more difficult to implement,

but once the decision is made, it can have an effect quickly. Monetary policy decisions are much easier to institute and more responsive to economic conditions, but may actually take longer to change spending habits once the decision is made.

Have students complete Fiscal and Monetary Policy BLM to demonstrate understanding of differences between fiscal and monetary policy.

### **Activity 8: Investigating Regulatory Costs (GLE: 64)**

Ask the students to explain the importance of the Food and Drug Administration's role in testing drugs for patient safety and access. What are the costs and benefits for testing new drugs before they are put on the market?

Explain to students that on average it takes 12 years to get an experimental drug from the lab to the medicine chest. Discuss with students the costs and benefits of this tedious process.

Have students articulate a position statement and rationale on this topic: "Should the FDA make it easier for drug companies to get new drugs on the market?"

## **Sample Assessments**

### **General Guidelines**

- Use a variety of performance assessments to determine student understanding of content.
- Select assessments that are consistent with the types of products that result from the student activities.
- Develop a scoring rubric collaboratively with other teachers or students.

### **General Assessments**

- Students should look at the following case study, then write their responses and their own example in their journals.

Case Study: In the 1950s, the federal government purchased large amounts of farm products at market prices and stored the goods in storage facilities. Determine how this government spending impacts producers (farmers). How would it impact consumers? What happens to the price of farm products?

Generate another example of government intervention and how it affects the economy.

- Students should make a list of the pros and cons of proportional/flat taxes versus the pros and cons of progressive taxes. Have students prepare a persuasive paper citing which type of tax is fairer. Students should include calculations and specific examples within their papers. Use the Flat/Proportional vs. Progressive Taxes BLM rubric to assess this paper.
- Students will informally debate whether or not the government should intervene in the economy during tough economic times. Students should consider examples from history. For example, students should consider the fact that Franklin Roosevelt intervened during the Great Depression, and consider that some people argue that he interfered too much while others say he failed to spend enough money to get the economy moving

### **Activity-Specific Assessments**

- Activity 1: Have students complete the “Public or Private Goods and Services BLM.” Students should explain why goods or services are produced in the public or private sector of the economy.
- Activity 4: Working in pairs or small groups, students should create their own graphics or cartoon to show how the federal government should or should not regulate the school lunch program. Students should consider both the costs and benefits of this government regulation. Students should explain their graphics to the class.
- Activity 6: Provide students with 1040EZ forms and sample W-2s. Instruct the students to complete the 1040EZ forms following the instructions provided. Allow students to use the tax tables so they may see the progressive nature of taxes paid.

**Free Enterprise  
Unit 8: The Global Economy**

**Time Frame:** Approximately two weeks

**Unit Description**

This unit emphasizes how nations, businesses, and individuals participate in a global interdependent economy.

**Student Understandings**

Students understand that the world is a globally interdependent economy. Students learn how currency and trade policy affect the global economy. Students learn the benefits and costs of economic interdependence. Students learn how nations, institutions and economic trends affect the global economy. Students understand that Louisiana is a part of a global economy.

**Guiding Questions**

1. Can students identify the causes of economic interdependence?
2. Can students explain how businesses have changed to be competitive in a global market?
3. Can students explain how economies of different countries affect one another?
4. Can students explain the International Monetary Fund and how currency valuations and exchange rates affect the global economy?
5. Can students explain the purpose and role of policies and international agreements on the ability to trade internationally?

**Unit 8 Grade-Level Expectations (GLEs)**

<b>GLE #</b>	<b>GLE Text and Benchmarks</b>
<b>Economics: Fundamental Economic Concepts</b>	
21.	Explain ways in which businesses have changed to meet rising production costs or to compete more effectively in a global market (E-1A-H6)
<b>Individuals, Households, Businesses, and Governments</b>	
39.	Explain the causes of global economic interdependence (E-1B-H4)
40.	Describe the worldwide exchange of goods and services in terms of its effect in increasing global interdependence and global competition (E-1B-H4)

GLE #	GLE Text and Benchmarks
41.	Examine fundamental concepts of currency valuation and foreign exchange and their role in a global economy (E-1B-H4)
42.	Explain how the economy of one country can affect the economies of other countries or the balance of trade among nations (E-1B-H4)
43.	Explain the role of the International Monetary Fund in supporting world economies (E-1B-H4)
44.	Identify and evaluate various types of trade barriers among nations (E-1B-H5)
45.	Take and defend a position on a trade policy or issue (e.g., NAFTA, G8, European Union) (E-1B-H5)
46.	Evaluate the role and importance of Louisiana ports and products in the national and international economy (E-1B-H6)

### Sample Activities

#### Activity 1: The Global Economy and Trade Barriers (GLE: 44)

Materials List: Vocabulary Self-Awareness BLM, World Map

Ask students if they think about where things they use are made. Have students look at tags on their clothes and shoes to see where they were made. Write names of the countries on the board and have students locate these countries on a world map. Ask student if these items could have been made in the United States. Have them give reasons why we buy items made in foreign countries.

Give students a list of items that the United States imports (Coffee, bananas, petroleum, automobiles, toys, etc.). Ask students to determine which of these goods can be produced in the United States and which must be imported. Ask students why we import items (like automobiles) that we can and do produce domestically. Have students make suggestions as to why U. S. automobile makers may ask the government for some type of trade barrier on the importation of foreign made automobiles. The students can discuss ‘winners’ and ‘losers’ of trade barriers in activity 2.

Have students maintain a *vocabulary self-awareness* chart ([view literacy strategy descriptions](#)). Begin by identifying target vocabulary. Using the Vocabulary Self-Awareness BLM, provide this list of words (see BLM) to the students at the beginning of the unit and have them complete a self-assessment of their knowledge of the words on the chart. Ask students to rate their understanding of each word with either a “+” (understand well), a “\*” (limited understanding or unsure), or a “-“(don’t know). Over the course of the readings and exposure to other information sources throughout the unit, students should be told to return often to the chart and add new information to it. The goal is to replace the “\*”s and “-“s with a “+”. Because students will continually revisit their vocabulary charts to revise their entries, they will have multiple opportunities to

practice and extend their growing understanding of key terms related to the topic of trade barriers.

### **Activity 2: To Trade or Not to Trade (GLEs: 21, 45)**

Materials List: Free Trade Opinionnaire BLM

Present students with the Free Trade Opinionnaire BLM, which is an *opinionnaire* ([view literacy strategy descriptions](#)) that encourages students to take a position and defend it. (See this BLM.) Have students work in pairs to read and discuss each statement. Then, have students write their reasons for their opinions. Lead a class discussion into the advantages and disadvantages of protectionism and free trade. Have students discuss who are the ‘winners’ and ‘losers’ when trade barriers are enacted.

### **Activity 3: Causes of Global Interdependence, World Trade and Interdependence (GLEs: 39, 40)**

Materials List: world natural resources map, world atlas, *World Almanac* or World Bank publications (optional)

Provide a map of the world’s natural resources. (Maps of world resources may be found in a world atlas.) Discuss with students the products that different countries specialize in and how many products would not be available if it were not for international trade. Ask students to explain why it is impossible for any one country to maintain a modern economy independent of the world.

Provide a case study of Japan. The country has little or no oil, coal, iron, or rubber resources but produces a large quantity of the world’s cars. The case study should include data on the top ten Japanese imports and exports. Ask students to study the case and explain why Japan is successful in world trade.

Using the *World Almanac* and/or World Bank publications, ask students to research the volume of world trade between some selected number of countries. Ask them to create graphs illustrating how the volume of trade among countries is expanding and to answer the following:

- Do these data indicate that interdependence is likely to grow rather than decline?
- What would happen if countries or blocs of countries created barriers (e.g., tariffs) to trade?

Returning to the example of businesses relocating overseas to reduce costs, ask students to explain why labor and labor unions might oppose free trade and economic interdependence (at least in the short run) and to answer the following:

- Would economic interdependence cause a country’s standard of living to increase or decrease? Why?

- Is it possible that economic interdependence might increase living standards in the United States while some groups might suffer a loss in wages and incomes?
- When businesses go abroad to produce goods, what happens to wages at home?

**Activity 4: Currency Exchange Rates and Effects of Global Trade on Domestic Economies (GLEs: 41, 42)**

Materials List: online access (optional), exchange rate table

Provide a current table of exchange rates from a daily newspaper and ask students to examine the dollar against the Yen, Euro, Pound, etc. Students may also use the internet to make conversions from the dollar to other currencies. (One available website that may be used for these conversions is [www.oanda.com/convert/classic](http://www.oanda.com/convert/classic)).

Simulate a situation where the class is considering taking a trip to Italy. Characteristics of the simulation might include the following:

- Assume that both countries permit their currency (money) to float freely on the world market (e.g., the governments do not fix the value of their currency at some prescribed level).
- There is a world market for currencies in which demand and supply determine the value of each currency.
- These tourists need to have Euros to spend in Italy, creating a demand for Euro currency.
- Department stores buying shoes in Italy also demand Euros to buy goods.
- Italians also have a demand for American currency for travel and trade.
- Credit card use is another form of demand for a currency when used overseas.
- The more a currency is demanded, the greater its value.

Ask students to explain how an increase or decrease in the value of a currency would impact a country's economy.

Ask students to explain what happens to domestic economies in the following scenarios:

- Congress places a tariff on steel products from Germany.
- Congress subsidizes farm products regularly shipped to France.
- The United States runs a deficit, leading to devaluation of the dollar against the yen.
- The United States experiences a recession, reducing importation of oil from Saudi Arabia.

Ask the students to trace impacts of each situation on wages, prices, production, and consumption in each country.

### Activity 5: The IMF and Global Investment; Applying Concepts of International Trade (GLE: 43)

Materials List: online access, International Monetary Fund organizational chart

Provide an organizational chart of the International Monetary Fund (IMF). One can be found at <http://www.imf.org/external/np/obp/orgcht.htm> and information about what the IMF does can be found at the following website: <http://www.imf.org/external/work.htm>. Ask students to explain the role of creditor nations (lenders) and debtor nations (borrowers) in maintaining the circular flow of international trade.

Ask students to apply the *Circular Flow* as if there were no country boundaries.

- Why does the IMF place restrictions on domestic economic decisions that debtor nations can make?
- How does borrowing by debtor nations increase employment, production, and consumption in their domestic economies?

Compare this with how borrowing in the United States increases consumption by individuals. How does stimulation of a debtor's economy improve the flow of world trade? Discuss the following: The United States has the world's largest economy (i.e., it produces more and consumes more goods/services, valued at market prices, than any other country). The U. S. is dependent upon other countries for vital natural resources (e.g., oil, minerals). At the same time, it has a skilled labor source that is the most productive in the world. America's productivity occurs, in part, because of advancements in and investment in technologies.

Ask students to explain how differences between the United States and its trading partners affect wages, costs, and prices (e.g., prices of natural resources in underdeveloped countries versus prices of finished products in developed countries). Conclude with the following questions:

- Is a market economy for the world (global markets) a good thing for the United States?
- Is it good for developing countries?
- Who benefits and who loses?

Choose any one of several trends that impact international trade and ask students to trace the impact of each on currency and product flows.

- For example, the policy in Europe is to place high use taxes on gasoline, and that trend is growing in other countries. How would such taxation impact oil-producing nations, oil-consuming nations, and oil-related industries (cars)?
- Define tariff, subsidy, cartel (OPEC), and embargos. Ask students to explain how each affects the performance of international trade.
- Ask students to write a domestic policy for a nation that has determined it must restrict trade. The policy statement must include reasons for placing limits on international trade.

- Ask other students to evaluate the impact of the domestic policy written by their peers. The evaluation must include effects on imports and exports, wages and prices in the domestic economy, and the standard of living in the domestic economy.

Review with students such barriers to trade as tariffs and quotas. Have students brainstorm arguments for maintaining trade barriers (e.g., protecting domestic jobs and maintaining the balance of payments between the United States and other nations).

Explain to students what the North American Free Trade Agreement (NAFTA) is. See [http://www.ustr.gov/assets/Trade\\_Agreements/Regional/NAFTA/Fact\\_Sheets/asset\\_upload\\_file366\\_13495.pdf](http://www.ustr.gov/assets/Trade_Agreements/Regional/NAFTA/Fact_Sheets/asset_upload_file366_13495.pdf). Discuss the pros and cons of NAFTA from the perspectives of the three countries involved: the U. S., Canada and Mexico. Give each student a slip of paper which describes a business or person who might have been affected by NAFTA (e.g., textile worker in Louisiana, small corn farmer in Mexico). Have students write a position paper on these different people/businesses; then have them explain their positions to the class.

The North American Free Trade Agreement (NAFTA) has been praised and opposed by different labor and business groups in the United States. Ask students to research the arguments for and against NAFTA, and to prepare a paper defending their position on this trade agreement.

In groups, have students research the European Union and CAFTA-DR. Students should write which countries are included in these free trade agreements; then students should write a list of costs and benefits for these trade agreements.

### **Activity 6: Louisiana in World Trade (GLE: 46)**

Using government data on export and import volume, ask students to evaluate the monetary importance (exports and imports) of Louisiana ports relative to other primary trading ports in the United States. How is this trade volume related to barge and rail connections to the port?

Select the top ten products exported by Louisiana firms and describe transportation routes and systems used to export the goods. If possible, also provide data on the monetary value of these exports for the Louisiana economy.

## Sample Assessments

### General Guidelines

- Use a variety of performance assessments to determine student understanding of content.
- Select assessments that are consistent with the types of products that result from the student activities.
- Students should be monitored in all activities via teacher observation, report writing, class discussion, and journal entries.

### General Assessments

- Students should research the different views on outsourcing as stated by America's main political parties and their leaders. Have students write a paper explaining what outsourcing is, how it might be harmful or beneficial, and how different groups (i.e., political parties, organized labor, and business leaders) might view outsourcing.
- Students should write journal entries throughout the unit on topics discussed in class. For example, students might use their journals to explain how an increase or decrease in the value of a currency would impact the economy or to explain why labor and labor unions might oppose free trade and economic interdependence. Allow students to use their journals in order to better evaluate their understanding of topics.
- Students should create a list of the pros and cons of trade barriers. They should be able to explain verbally their reasoning for each choice.

### Activity-Specific Assessments

- Activity 3: Using the *World Almanac* and/or World Bank publications, ask students to research the volume of world trade between a selected number of countries. Ask them to create graphs illustrating how the volume of trade among countries is expanding. After creating the graphs, students should then answer the following:
  - Does this information indicate that interdependence is likely to grow rather than decline? Explain.
  - What would happen if countries or blocs of countries created barriers (e.g., tariffs) to trade?
- Activity 5: Ask students to write a domestic policy for a nation that has determined it must restrict foreign trade. The policy statement must include reasons for placing limits on international trade. Ask other students to evaluate the impact of the domestic policy written by their peers. The evaluation must include

effects on imports and exports, wages and prices in the domestic economy, and the standard of living in the domestic economy.

- Activity 5: Have students write their positions on NAFTA, assuming the role given to them by the teacher. First, give each student a slip of paper which describes a business or person who might have been affected by NAFTA (e.g., textile worker in Louisiana, a farmer who raises corn on a small farm in Mexico). Have students write the position of these different people/businesses; then have them explain their positions to the class.

**Free Enterprise  
Unit 9: Personal Economics**

**Time Frame:** Approximately one week



**Unit Description**

This unit shows students how economic choices and opportunities affect their roles in the U.S. economy.

**Student Understandings**

Students understand that career choice and preparation affects their success in finding employment and job satisfaction. Students learn about career opportunities in Louisiana. Students learn how their knowledge and application of fundamental economic understandings helps them to analyze economic issues and make personal economic decisions.

**Guiding Questions**

1. Can students identify factors that affect successful acquisition of jobs?
2. Can students explain how interest rates affect saving and borrowing?
3. Can students identify the types, purpose, and importance of specific jobs needed in Louisiana?

**Unit 9 Grade Level Expectations (GLEs)**

<b>GLE #</b>	<b>GLE Text and Benchmarks</b>
<b>Economics: Fundamental Economic Concepts</b>	
1.	Apply fundamental economic concepts to decisions about personal finance (E-1A-H1)
11.	Explain the types of jobs important to meeting the needs of Louisiana industries and an information-based society (E-1A-H3)
12.	Evaluate various careers in terms of availability, educational and skill requirements, salary and benefits, and intrinsic sources of job satisfaction (E-1A-H3)
<b>The Economy as a Whole</b>	
54.	Predict the consequences of investment decisions made by individuals, businesses, and government (E-1C-H2)
55.	Predict how interest rates will act as an incentive for savers and borrowers (E-1C-H2)

## Sample Activities

### Activity 1: Personal Spending, Saving, and Credit (GLE: 1)

Materials List: Vocabulary Self-Awareness Chart BLM, overhead projector (optional)

Introduce the lesson by having students describe various ways they can pay for a particular purchase. On an overhead projector or chalkboard write “Costs” and “Benefits.” Then, have students explain what is advantageous and what is detrimental about their payment choices. Use the following terms to help guide the discussion: checks, debit cards, cash, bank loans, credit cards, lay-away programs, and personal loans. Emphasize the problems many young people have with credit cards. Ask students what they know about pay day loan companies. Discuss the potential pitfalls of pay day loans and ways one can avoid this type of loan. Show students how a purchase can end up costing several times its original cost.

During this unit, have students maintain a *vocabulary self-awareness* chart ([view literacy strategy descriptions](#)). Begin by identifying target vocabulary. Provide this list of words to students at the beginning of the unit and have them complete a self-assessment of their knowledge of the words using a chart (see the Vocabulary Self-Awareness BLM). Do not give students examples or definitions at this stage. Ask students to rate their understanding of each word with either a “+” (understand well), a “\*” (limited understanding or unsure), or a “-” (don’t know). Students should return to the chart and add new information to it during the unit. The goal is to replace the asterisks and minus signs with a plus sign.

Have students make a list of purchases they will make in their future (e.g., education, car, home, furniture) and write beside each item how they imagine they will pay for these items.

Establishing sound credit is important in America’s modern economy. Discuss with students what lenders look for in potential borrowers: character, capacity, and collateral. Provide students with a blank credit application for an imaginary/real credit card for a bank or business. Have students review the information requested (e.g., employment history, salary, references). Ask students to answer the following questions:

- Why do lenders require particular information?
- Is it important to have a steady employment history?
- Why do lenders want to issue credit?
- How can too much credit lead to serious debt?
- How does debt affect future employment and purchasing possibilities?

Discuss with students how creditors and employers check on the credit history of potential borrowers and future employees. Explain to students the purpose and importance of credit reporting institutions and how credit ratings are assigned. Bankruptcy in the United States is a serious problem. Discuss with students what it

means to become bankrupt. Explain to students the long-term ramifications of bankruptcy and steps people can take to avoid bankruptcy.

### **Activity 2: The Louisiana Economy (GLEs: 11, 12)**

Materials List: Louisiana Career Opportunities BLM, newspaper

Ask students to think about what career they would like to have when they become adults. Distribute copies of the Louisiana Career Opportunities BLM. Ask them to look at the list of possible careers and make suggestions for ones that could be added in the blank rows. Discuss what kinds of jobs there are in each of the industries. Using a newspaper classified section, have students evaluate those careers with the chart utilizing a 1-5 rating system for the following criteria:

- availability of jobs
- educational and skill requirements
- salary and benefits
- intrinsic sources of job satisfaction

Explain how industries in Louisiana can continue to make an impact in a global, information-based society. Describe how potential new industries could affect the economy in Louisiana. What are the skills, knowledge, talents, personal characteristics, and efforts that are likely to enhance prospects of success in finding a job in a particular field?

In the space below the chart, ask students to write a brief summary of what they need to do (education/training) to prepare to become part of the Louisiana/global economy as an adult.

### **Activity 3: The Time Value of Money (GLE: 55)**

Materials List: online access, online lesson—Personal Finance for the Economics Classroom, copies of four overheads from the online lesson, copies for each student of the three worksheets from the online lesson

This lesson is taken from *Personal Finance for the Economics Classroom: A Teaching Guide for Economics Instructors*, a project of Financial Literacy 2010, which is a national nonprofit financial education effort co-sponsored by the Investor Protection Trust, NASD Regulation, Inc., the North American Securities Administrators Association, and the Securities Commission Office of Financial Institutions. To gain access to the guide, go to <http://63.175.20.122/> and create an account. The teaching guide will be customized for the state used when creating the account. The teaching guide icon will show the name of the state once the customizing is complete. For future access of the customized guide, logging in to the account may be required.

Unit 2, Lesson 2, The Time Value of Money, can be accessed by clicking *Table of Contents* after opening the teaching guide or via [http://63.175.20.122/newguide/unit2\\_13-14.cfm](http://63.175.20.122/newguide/unit2_13-14.cfm) when logged in to an account. Teachers will find background material along with the lesson outline. Materials, overheads, and worksheets are provided in this online lesson. Please note that there are multiple pages for the lesson that are accessed by clicking *next* at the bottom of a page. This lesson teaches the factors that affect the growth of savings and investments and the power of compound interest. Students will learn the advantage of investing early in life.

#### **Activity 4: Why People Don't Save (GLE 54)**

Materials List: online lesson—"Why People Don't Save"; transparencies of Visuals 1 and 2; sticky notes and a pencil for each group of 3-4 students; 1/2 sheet each of red, blue and yellow construction paper for each group; 1/2 sheet of poster board for each group; a ruler, pencil, two pairs of scissors, a marker and a container of glue for each group; a copy of Activities 1 and 6 for each group; a copy of Activities 2, 3, 4 and 5 (on appropriately colored paper—see procedure 1) for each group; one die for each group; one coin, milk-bottle lid, bingo chip, paper clip or other small item (to be used as a game piece) for each student

"Why People Don't Save" is a lesson from the National Council for Economic Education publication "Learning, Earning and Investing." The lesson, activities, and visuals needed can be found in pdf form at [http://www.ncee.net/resources/lessons/lei\\_hs\\_lesson1502.pdf](http://www.ncee.net/resources/lessons/lei_hs_lesson1502.pdf). The students will examine the costs and benefits of savings and identify short-, medium-, and long-range savings goals. The on-line lesson provides the teacher with step-by-step instructions to teach this lesson. An assessment is included at the end of the lesson.

"Learning, Earning and Investing" is a multi-faceted, comprehensive investor education program for students in grades four through twelve. The curriculum is designed to teach the benefits of and strategies for long-term investing success. The twenty-three lesson book is available from the Louisiana Council for Economic Education. More information about "Learning, Earning and Investing" can be found at <http://lei.ncee.net/>.

### **Sample Assessments**

#### **General Guidelines**

- Use a variety of performance assessments to determine student understanding of content.
- Select assessments that are consistent with the types of products that result from the student activities.



## General Assessments

- Students should write a journal entry on what they see as their own skills and interests. Students should write what career would be best suited for them, considering their own skills and interests. Allow students to research the requirements of occupations on the Internet or by using other resource materials.
- Students should look through the fine print in credit card advertisements and applications to find information that consumers might need when opening a credit card account (e.g., annual fees, APR, late fees). The teacher should provide students with a variety of these advertisements and applications that come in the mail. Students should write a list of the pros and cons of each credit card advertisement they reviewed.
- Students should create a “best financial advice” list. They should ask several adults to give them their five best financial tips or look for stock tips in the media (radio, television, or the Internet). Students should compile all the tips into a best financial advice list, and should be able to explain why they believe their source offered good financial advice.

## Activity-Specific Assessments

- Activity 1: Have students create a future household budget. First, students should research their anticipated career and find out what their monthly salary will be. Next, provide students with a list of expenses, such as housing, electricity, car note, food, medical care, entertainment, savings, and taxes. Students should write how much they will spend on each item and then calculate their total expenses. They should research what their expenses will be for each item by using the Internet, contacting businesses, or speaking to adults.
- Activity 2: Ask students to create a future resume applying for a position in a specific place and business in Louisiana. Ask them to role play as interviewers/prospective employers as they share their resumes.
- Activity 4: Have students complete a “Savings Calculator” worksheet from the online lesson. Ask them to use two different interest rates and evaluate the importance of finding a higher interest rate when saving for the future.