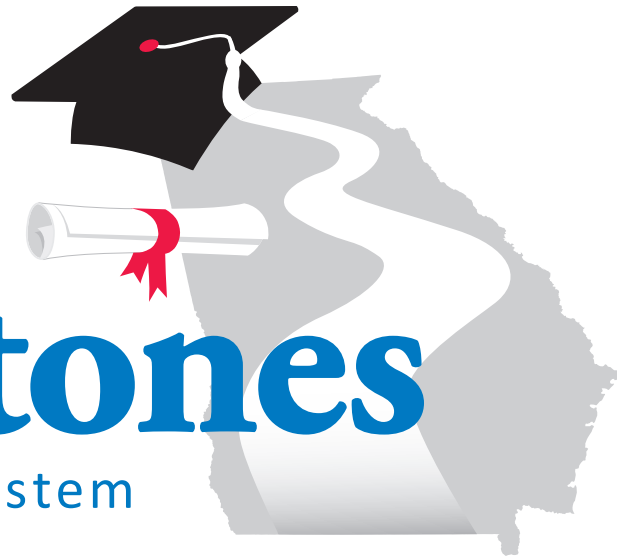


Georgia Milestones

Assessment System



Study/Resource Guide for Students and Parents Economics/Business/ Free Enterprise



The Study/Resource Guides are intended to serve as a resource for parents and students. They contain practice questions and learning activities for the course. The standards identified in the Study/Resource Guides address a sampling of the state-mandated content standards.

For the purposes of day-to-day classroom instruction, teachers should consult the wide array of resources that can be found at www.georgiastandards.org.

Study/Resource Guide

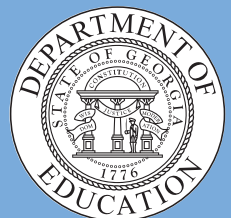


Table of Contents

THE GEORGIA MILESTONES ASSESSMENT SYSTEM	3
GEORGIA MILESTONES END-OF-COURSE (EOC) ASSESSMENTS.	4
HOW TO USE THIS GUIDE	5
OVERVIEW OF THE ECONOMICS/BUSINESS/FREE ENTERPRISE EOC ASSESSMENT	6
ITEM TYPES.	6
DEPTH OF KNOWLEDGE DESCRIPTORS.	6
DEPTH OF KNOWLEDGE EXAMPLE ITEMS.	9
DESCRIPTION OF TEST FORMAT AND ORGANIZATION.	12
PREPARING FOR THE ECONOMICS/BUSINESS/FREE ENTERPRISE EOC ASSESSMENT	13
STUDY SKILLS.	13
ORGANIZATION—OR TAKING CONTROL OF YOUR WORLD.	13
ACTIVE PARTICIPATION.	13
TEST-TAKING STRATEGIES.	13
PREPARING FOR THE ECONOMICS/BUSINESS/FREE ENTERPRISE EOC ASSESSMENT	14
CONTENT OF THE ECONOMICS/BUSINESS/FREE ENTERPRISE EOC ASSESSMENT	15
SNAPSHOT OF THE COURSE	16
UNIT 1: INTRODUCTION TO ECONOMIC THEMES.	17
UNIT 2: THE CHOICE IS YOURS.	18
UNIT 3: MARKETS: NOT JUST FOR FLEAS AND STOCKS.	23
UNIT 4: GOVERNMENT AND THE ECONOMY.	27
UNIT 5: INTERNATIONAL TRADE.	30
UNIT 6: LET’S MAKE IT PERSONAL.	34
ADDITIONAL SAMPLE ITEMS KEY.	39

THE GEORGIA MILESTONES ASSESSMENT SYSTEM



Dear Student,

The **Georgia Milestones Economics/Business/Free Enterprise EOC Study/Resource Guide for Students and Parents** is intended as a resource for parents and students.

This guide contains information about the core content ideas and skills that are covered in the course. There are practice sample questions for every unit. The questions are fully explained and describe why each answer is either correct or incorrect. The explanations also help illustrate how each question connects to the Georgia state standards.

In addition, the guide includes activities that you can try to help you better understand the concepts taught in the course. The standards and additional instructional resources can be found on the Georgia Department of Education website, www.georgiastandards.org.

Get ready—open this guide—and get started!

GEORGIA MILESTONES END-OF-COURSE (EOC) ASSESSMENTS

The EOC assessments serve as the final exam in certain courses. The courses are:

English Language Arts

- Ninth Grade Literature and Composition
- American Literature and Composition

Mathematics

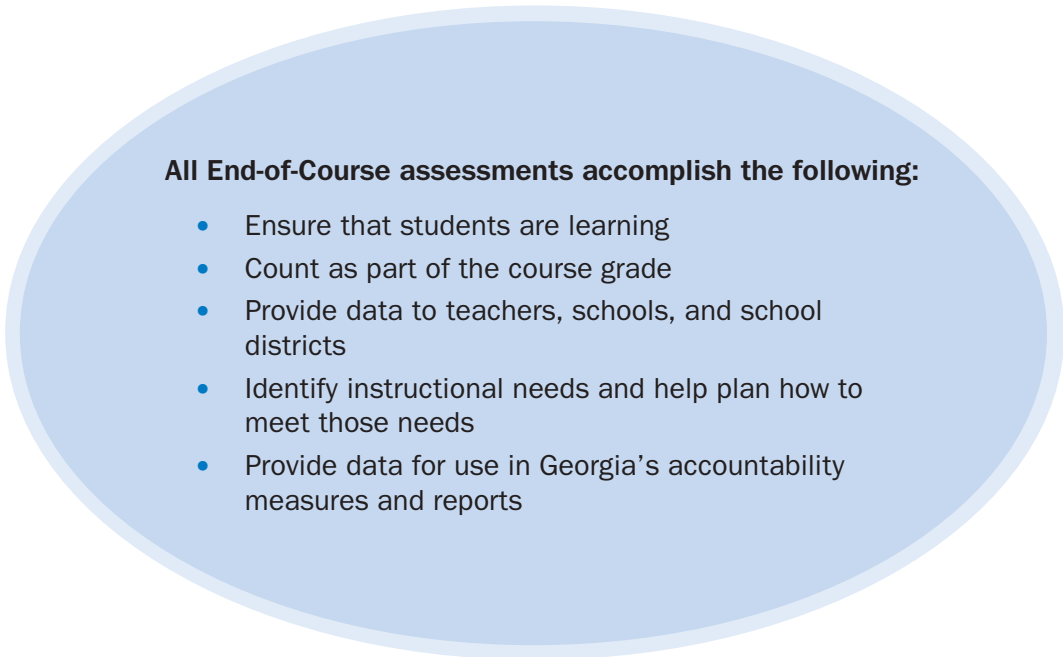
- Algebra I
- Analytic Geometry
- Coordinate Algebra
- Geometry

Science

- Physical Science
- Biology

Social Studies

- United States History
- Economics/Business/Free Enterprise



All End-of-Course assessments accomplish the following:

- Ensure that students are learning
- Count as part of the course grade
- Provide data to teachers, schools, and school districts
- Identify instructional needs and help plan how to meet those needs
- Provide data for use in Georgia's accountability measures and reports

HOW TO USE THIS GUIDE

Let's get started!

First, preview the entire guide. Learn what is discussed and where to find helpful information. Even though the focus of this guide is Economics/Business/Free Enterprise, you need to keep in mind your overall good reading habits.

- 💡 Start reading with a pencil or a highlighter in your hand and sticky notes nearby.
- 💡 Mark the important ideas, the things you might want to come back to, or the explanations you have questions about. On that last point, your teacher is your best resource.
- 💡 You will find some key ideas and important tips to help you prepare for the test.
- 💡 You can learn about the different types of items on the test.
- 💡 When you come to the sample items, don't just read them, *do* them. Think about strategies you can use for finding the right answer. Then read the analysis of the item to check your work. The reasoning behind the correct answer is explained for you. It will help you see any faulty reasoning in the ones you may have missed.
- 💡 Use the activities in this guide to get hands-on understanding of the concepts presented in each unit.
- 💡 With the Depth of Knowledge (DOK) information, you can gauge just how complex the item is. You will see that some items ask you to recall information and others ask you to infer or go beyond simple recall. The assessment will require all levels of thinking.
- 💡 Plan your studying and schedule your time.
- 💡 Proper preparation will help you do your best!



OVERVIEW OF THE ECONOMICS/BUSINESS/ FREE ENTERPRISE EOC ASSESSMENT

ITEM TYPES

The Economics/Business/Free Enterprise EOC assessment consists of **selected-response** and **technology-enhanced** items.

A **selected-response** item, sometimes called a multiple-choice item, is a question, problem, or statement that is followed by four answer choices. These questions are worth one point.

A **technology-enhanced** item has a question, problem, or statement. You may be asked to select more than one right answer. Or, you may be asked to answer the first part of the question. Then, you will answer the second part of the question based on how you answered part one. These questions are worth 2 points. Partial credit may be awarded if you select some but not all of the correct answers or if you get one part of the question correct but not the other.

DEPTH OF KNOWLEDGE DESCRIPTORS

Items found on the Georgia Milestones assessments, including the Economics/Business/Free Enterprise EOC assessment, are developed with a particular emphasis on the kinds of thinking required to answer questions. In current educational terms, this is referred to as Depth of Knowledge (DOK). DOK is measured on a scale of 1 to 4 and refers to the level of cognitive demand (different kinds of thinking) required to complete a task, or in this case, an assessment item. The following table shows the expectations of the four DOK levels in detail.

The DOK table lists the skills addressed in each level as well as common question cues. These question cues not only demonstrate how well you understand each skill but they relate to the expectations that are part of the state standards.

Level 1—Recall of Information

Level 1 generally requires that you identify, list, or define. This level usually asks you to recall facts, terms, concepts, and trends and may ask you to identify specific information contained in documents, maps, charts, tables, graphs, or illustrations. Items that require you to “describe” and/or “explain” could be classified as Level 1 or Level 2. A Level 1 item requires that you just recall, recite, or reproduce information.

Skills Demonstrated	Question Cues
<ul style="list-style-type: none"> • Make observations • Recall information • Recognize formulas, properties, patterns, processes • Know vocabulary, definitions • Know basic concepts • Perform one-step processes • Translate from one representation to another • Identify relationships 	<ul style="list-style-type: none"> • Tell what, when, or where • Find • List • Define • Identify; label; name • Choose; select • Compute; estimate • Express • Read from data displays • Order

Level 2—Basic Reasoning

Level 2 includes the engagement (use) of some mental processing beyond recalling or reproducing a response. A Level 2 “describe” and/or “explain” item would require that you go beyond a description or explanation of recalled information to describe and/or explain a result or “how” or “why.”

Skills Demonstrated	Question Cues
<ul style="list-style-type: none"> • Apply learned information to abstract and real-life situations • Use methods, concepts, theories in abstract and real-life situations • Perform multi-step processes • Solve problems using required skills or knowledge (requires more than habitual response) • Make a decision about how to proceed • Identify and organize components of a whole • Extend patterns • Identify/describe cause and effect • Recognize unstated assumptions; make inferences • Interpret facts • Compare or contrast simple concepts/ideas 	<ul style="list-style-type: none"> • Apply • Calculate; solve • Complete • Describe • Explain how; demonstrate • Construct data displays • Construct; draw • Analyze • Extend • Connect • Classify • Arrange • Compare; contrast

Level 3—Complex Reasoning

Level 3 requires reasoning, using evidence, and thinking on a higher and more abstract level than Level 1 and Level 2. You will go beyond explaining or describing “how and why” to justifying the “how and why” through application and evidence. Level 3 questions often involve making connections across time and place to explain a concept or a “big idea.”

Skills Demonstrated	Question Cues
<ul style="list-style-type: none"> • Solve an open-ended problem with more than one correct answer • Create a pattern • Generalize from given facts • Relate knowledge from several sources • Draw conclusions • Make predictions • Translate knowledge into new contexts • Compare and discriminate between ideas • Assess value of methods, concepts, theories, processes, formulas • Make choices based on a reasoned argument • Verify the value of evidence, information, numbers, and data 	<ul style="list-style-type: none"> • Plan; prepare • Predict • Create; design • Ask “what if?” questions • Generalize • Justify; explain why; support; convince • Assess • Rank; grade • Test; judge • Recommend • Select • Conclude

Level 4—Extended Reasoning

Level 4 requires the complex reasoning of Level 3 with the addition of planning, investigating, applying significant conceptual understanding, and/or developing that will most likely require an extended period of time. You may be required to connect and relate ideas and concepts *within* the content area or *among* content areas in order to be at this highest level. The Level 4 items would be a show of evidence, through a task, a product, or an extended response, that the cognitive demands have been met.

Skills Demonstrated	Question Cues
<ul style="list-style-type: none"> • Analyze and synthesize information from multiple sources • Examine and explain alternative perspectives across a variety of sources • Apply mathematical models to illuminate a problem or situation • Design a mathematical model to inform and solve a practical or abstract situation • Combine and synthesize ideas into new concepts 	<ul style="list-style-type: none"> • Design • Connect • Synthesize • Apply concepts • Critique • Analyze • Create • Prove

DEPTH OF KNOWLEDGE EXAMPLE ITEMS

Example items that represent the applicable DOK levels across various Economics/Business/Free Enterprise content domains are provided on the following pages.

All example and sample items contained in this guide are the property of the Georgia Department of Education.

Example Item 1

Selected-Response

DOK Level 1: This is a DOK level 1 item because it requires the student to recall information concerning credit worthiness.

Economics/Business/Free Enterprise Content Domain: Personal Finance Economics

Standard: SSEPF4. The student will evaluate the costs and benefits of using credit.
a. List factors that affect credit worthiness.

Which factor is used to determine a person’s credit worthiness?

- A. gender
- B. ethnicity
- C. yearly income
- D. religious affiliation

Correct Answer: C

Explanation of Correct Answer: The correct answer is choice (C) yearly income. A person’s yearly income is a major factor that helps banks determine what the likelihood is that a person will pay back the loan. While having a high yearly income is not a definite guarantee the loan will be paid back, it does show that the person has the ability to pay back the loan. Choices (A), (B), and (D) are incorrect because they are not factored into the decision to give a person a loan. Gender, ethnicity, and religious affiliation are not factors that affect a person’s credit worthiness.

Example Item 2

Selected-Response

DOK Level 2: This is a DOK level 2 item because it requires the student to compare two companies based on the provided scenario.

Economics/Business/Free Enterprise Content Domain: Microeconomic Concepts

Standard: SSEMI4. The student will explain the organization and role of business and analyze the four types of market structures in the U.S. economy.

a. Compare and contrast three forms of business organization—sole proprietorship, partnership, and corporation.

Read the scenario.

The Statler family is the single owner of Hi-Tech Computers. Its store sells computers to the general public. Ron Statler is the president and runs the company; his son Jason works in the store. Digital World, a national chain whose stock trades on the stock market, opened a new store near Hi-Tech Computers. To keep its customers, Hi-Tech reduced the prices on its computers. Sales tripled and Hi-Tech's entire computer inventory sold out. In order to raise cash to buy more computers, Hi-Tech applied for a business loan using the family's property assets for collateral. Digital World soon closed its store and moved its inventory to a larger Digital World store in another city.

Based on the scenario, which statement BEST describes the two companies?

- A. Hi-Tech Computers is a partnership, and Digital World is a corporation.
- B. Hi-Tech Computers is a sole proprietorship, and Digital World is a corporation.
- C. Digital World is a partnership of investors, and Hi-Tech Computers is a family partnership.
- D. Digital World is a sole proprietorship of entrepreneurs, and Hi-Tech Computers is incorporated.

Correct Answer: B

Explanation of Correct Answer: The correct answer is choice (B) Hi-Tech Computers is a sole proprietorship, and Digital World is a corporation. A family can own a company as a sole proprietorship, and therefore, the family is responsible for any business debt as well as share in the profits. Digital World is a corporation because it has stocks that are publicly traded. Choices (A) and (C) are incorrect because the Statler family does not own Hi-Tech Computers in a partnership; the family is the "single owner" of the company. Also (C) is incorrect because Digital World is not a partnership. Choice (D) is incorrect because Digital World is not a sole proprietorship; it is a corporation.

Example Item 3

Selected-Response

DOK Level 3: This is a DOK level 3 item because it requires the student to draw a conclusion about why countries trade with one another.

Economics/Business/Free Enterprise Content Domain: International Economics

Standard: SSEIN1. The student will explain why individuals, businesses, and governments trade goods and services.

b. Explain that most trade takes place because of comparative advantage in the production of a good or service.

Read the description.

Brazil grows coffee efficiently, and coffee is the country's largest agricultural product. Brazil also has an automobile industry but does not efficiently manufacture automobiles. The United States efficiently manufactures automobiles and grows a small amount of coffee in Hawaii. The United States has the largest economy in the world. Brazil has an economy that is ranked eighth in the world.

Which statement BEST explains why Brazil would want to trade with the United States?

- A. Brazil has a capital advantage in the growing of coffee over the United States.
- B. Brazil has a comparative advantage in the growing of coffee over the United States.
- C. Brazil has a technological advantage in the manufacturing of automobiles over the United States.
- D. Brazil has an absolute advantage in the growing of coffee and the manufacturing of automobiles over the United States.

Correct Answer: B

Explanation of Correct Answer: The correct answer is Choice (B) Brazil has a comparative advantage in the growing of coffee over the United States. Brazil grows coffee with a lower opportunity cost than the United States; therefore, Brazil has a comparative advantage over the United States. The United States manufactures automobiles with a lower opportunity cost. Choice (A) is incorrect because Brazil does not have a capital advantage in growing coffee. The United States has a larger economy and is wealthier. Choice (C) is incorrect because Brazil does not have a technological advantage over the United States in manufacturing automobiles. Choice (D) is incorrect because Brazil does not have an absolute advantage in both the growing of coffee and the manufacturing of automobiles. It only has an absolute advantage in the growing of coffee.

DESCRIPTION OF TEST FORMAT AND ORGANIZATION

The Georgia Milestones Economics/Business/Free Enterprise EOC assessment consists of a total of 75 items. You will be asked to respond to selected-response (multiple-choice) and technology-enhanced items.

The test will be given in two sections.

- You may have up to 70 minutes per section to complete Sections 1 and 2.
- The total estimated testing time for the Economics/Business/Free Enterprise EOC assessment ranges from approximately 90 to 140 minutes. Total testing time describes the amount of time you have to complete the assessment. It does not take into account the time required for the test examiner to complete pre-administration and post-administration activities (such as reading the standardized directions to students).
- Sections 1 and 2 may be administered on the same day or across two consecutive days, based on the district's testing protocols for the EOC measures (in keeping with state guidance).

Effect on Course Grade

It is important that you take this course, and the EOC assessment, very seriously.

- For students in Grade 10 or above beginning with the 2011–2012 school year, the final grade in each course is calculated by weighing the course grade 85% and the EOC score 15%.
- For students in Grade 9 beginning with the 2011–2012 school year, the final grade in each course is calculated by weighing the course grade 80% and the EOC score 20%.
- A student must have a final grade of at least 70% to pass the course and to earn credit toward graduation.

PREPARING FOR THE ECONOMICS/BUSINESS/ FREE ENTERPRISE EOC ASSESSMENT

STUDY SKILLS

As you prepare for this test, ask yourself the following questions:

- * How would you describe yourself as a student?
- * What are your study skills strengths and/or weaknesses?
- * How do you typically prepare for a classroom test?
- * What study methods do you find particularly helpful?
- * What is an ideal study situation or environment for you?
- * How would you describe your actual study environment?
- * How can you change the way you study to make your study time more productive?

ORGANIZATION—OR TAKING CONTROL OF YOUR WORLD

- ✍ Establish a study area that has minimal distractions.
- ✍ Gather your materials in advance.
- ✍ Develop and implement your study plan.

ACTIVE PARTICIPATION

The most important element in your preparation is *you*. You and your actions are the key ingredient. Your active studying helps you stay alert, interact with the course content, and be more productive. Here's how you do it.

- ✍ Carefully read the information and then DO something with it. Mark the important material with a highlighter, circle it with a pen, write notes on it, or summarize the information in your own words.
- ✍ Ask questions. As you study, questions often come into your mind. Write them down and actively seek the answers.
- ✍ Create sample test questions and answer them.
- ✍ Find a friend who is also planning to take the test and quiz each other.

TEST-TAKING STRATEGIES

Part of preparing for a test is having a set of strategies you can draw from. Include these strategies in your plan:

- * Read and understand the directions completely. If you are not sure, ask a teacher.
- * Read each question and all the answer choices carefully.
- * If you use scratch paper, make sure you copy your work to your test accurately.
- * Underline important parts of each task. Make sure that your answer goes on the answer sheet.

- * Be aware of time. If a question is taking too much time, come back to it later.
- * Answer all questions. Check your answers for accuracy.
- * Stay calm and do the best you can.

PREPARING FOR THE ECONOMICS/BUSINESS/ FREE ENTERPRISE EOC ASSESSMENT

Read this guide to help prepare for the Economics/Business/Free Enterprise EOC assessment.

The section of the guide titled “Content of the Economics/Business/Free Enterprise EOC Assessment” provides a snapshot of the Economics/Business/Free Enterprise course. In addition to reading this guide, do the following to prepare to take the assessment:

- Read your textbooks and other materials.
- Think about what you learned, ask yourself questions, and answer them.
- Read and become familiar with the way questions are asked on the assessment.
- Answer the practice Economics/Business/Free Enterprise questions.
- Do the activities included in this guide. You can try these activities on your own, with a family member or friend, in a small group, or at home.
- There are additional items to practice your skills available online. Ask your teacher about online practice sites that are available for your use.

CONTENT OF THE ECONOMICS/BUSINESS/ FREE ENTERPRISE EOC ASSESSMENT

Up to this point in the guide, you have been learning how to prepare for taking the EOC assessment. Now you will learn about the topics and standards that are assessed in the Economics/Business/Free Enterprise EOC assessment and will see some sample items.

- ✍ The first part of this section focuses on what will be tested. It also includes sample items that will let you apply what you have learned in your classes and from this guide.
- ✍ The next part contains a table that shows the standard assessed for each item, the DOK level, the correct answer (key), and a rationale/explanation of the right and wrong answers.
- ✍ You can use the sample items to familiarize yourself with the item format found on the assessment.

All example and sample items contained in this guide are the property of the Georgia Department of Education.

The Economics/Business/Free Enterprise EOC assessment will assess the Economics/Business/Free Enterprise standards documented at www.georgiastandards.org.

The content of the assessment is organized into five groupings, or domains, of standards for the purposes of providing feedback on student performance.

- ✍ A content domain is a reporting category that *broadly* describes and defines the content of the course, as measured by the EOC assessment.
- ✍ On the actual test, the standards for Economics/Business/Free Enterprise are grouped into five domains: Fundamental Economic Concepts; Microeconomic Concepts; Macroeconomic Concepts; International Economics; and Personal Finance Economics.
- ✍ Each domain was created by organizing standards that share similar content characteristics.
- ✍ The content standards describe the level of understanding each student is expected to achieve. They include the knowledge, concepts, and skills assessed on the EOC assessment, and they are used to plan instruction throughout the course.

SNAPSHOT OF THE COURSE

This section of the guide is organized into five units that review the material covered within the five domains of the Economics/Business/Free Enterprise course. The material is presented by topic rather than by category or standard. In each unit, you will find sample items similar to what you will see on the EOC assessment. The next section of the guide contains a table that shows for each item the standard assessed, the DOK level, the correct answer (key), and a rationale/explanation about the key and distractors.

All example and sample items contained in this guide are the property of the Georgia Department of Education.

The more you understand about the topics in each unit, the greater your chances of getting a good score on the EOC assessment.

The organization of units for this guide is based on Frameworks developed by the Curriculum and Instruction Division of the Georgia Department of Education. These Frameworks can be accessed at <https://www.georgiastandards.org/Frameworks/Pages/BrowseFrameworks/socialstudies9-12.aspx>.

UNIT 1: INTRODUCTION TO ECONOMIC THEMES

The first unit of the course is an important one because it focuses on the concepts and enduring understandings that will be taught throughout the course. This unit is not assessed on the Economics/Business/Free Enterprise EOC assessment.

UNIT 2: THE CHOICE IS YOURS

In this unit, you will build a basic foundation in economics. You will have opportunities to connect basic economic fundamentals to past, present, and future life choices. Looking through the lens of incentives, you will identify the benefits enjoyed and the costs incurred from past decisions. The theme of scarcity will help you to understand the limited nature of your own productive resources. Finally, looking at interdependence, you will analyze how your own choices reflect allocation of scarce resources.

KEY IDEAS

Incentives

- Reasons to make positive choices for countries (SSEF6)
- Response to incentives (SSEPF1a)
- Creating savings/investment plan (SSEPF1c)

Interdependency

- Choices made with resources (SSEF1c, SSEF2a, SSEF6)

Scarcity

- Definition/use of scarcity (SSEF1a,d, SSEF2b)
- Examples of productive resources (SSEF1b)
- Resources allotment (SSEF6)
- Rational decision making (SSEPF1b)

KEY TERMS

The term *economics* is pretty flexible. It can be used when a bank decides to raise its prime lending rate or when a wheat farmer decides to plant one more bushel of wheat this year than he did last year. However, if you had to boil down economics to one definition, you would have something like:

Economics: a social science studying the allocation of scarce resources and goods.

Allocate: to distribute according to some plan or system. (SSEF1c)

Scarce: limited productive resources. (SSEF1a)

Resources: the inputs—land (natural), labor (human), capital (physical and human), and entrepreneurship—used by a society to produce outputs.

Those outputs, which are often finished products such as hamburgers and cars, are called **goods**.

The decision to produce one good instead of another often relates to **choice** and **opportunity cost**. (SSEF1b)

Most economic situations can be discussed using the concepts of scarcity and opportunity costs. It doesn't matter if the subject is a nation or a person. Basic economic decision-making processes center on deciding how best to allocate the scarce resources at hand.

Every day, consumers and producers everywhere compare marginal benefits to marginal costs in order to make economic decisions. (SSEF1b)

Marginal cost: the cost of procuring one more item. (SSEF2b)

Marginal benefit: the benefit associated with that one additional item. (SSEF2b)

The United States is primarily a **market-based system**, but this is not the only economic system being used in the world today. All economies must answer three questions: what to produce, how to produce, and for whom to produce. The following provides a brief description of three major economic systems.

Major Economic Systems

1. Market: This is also called a **capitalistic** or **free-market** system. In a market system, private individuals and firms control all resources, and the price and quantity of all goods are determined by the interaction of demand and supply in unrestricted, open markets. Ownership of property and goods is determined in the private sector, and the government does nothing to interfere with any market. Instead, this system relies on the belief that a market system naturally leads to efficient results (called the "invisible hand"), which theoretically correct any inequalities in resource allocation. The United States is very market oriented, but it is not a purely capitalistic system.

2. Command: A command economy is the opposite of a market economy. In this case the government commands all markets, determining what to produce, how to produce, and for whom to produce. Centralized planning committees take into account all the resources a nation has to offer (labor, land, and capital) and then set up an economic system to produce this predetermined mixture of goods and services.

Since the government is in charge of everything, citizens should all receive equal amounts of basic goods and services. In theory, this means that there should be no problems with high unemployment or poverty. In a command economy, the government is meant to provide for the welfare of its citizens.

3. Mixed: While these two systems describe theoretical concepts of how an economy might function, in the real world most economies blend two or more systems together. For instance, while China is considered a command economy, it has rapidly begun to incorporate many aspects of a market structure into its economy. Likewise, while the United States is considered to have one of the most capitalistic economies in the world, the government still intervenes in some markets. Therefore, there is a third economic system known as a mixed economy.

Government regulation takes many forms. Overall, the goal of the government is to provide for the health and safety of its citizens and its businesses. Some regulations protect citizens from corporate abuse. Other government regulations help businesses recover from external problems by offering money to help offset an unforeseen disaster.

SAMPLE ITEMS

Item 1

Selected-Response

Opportunity cost means individuals

- A. pay sales taxes to make a purchase.
- B. replace land and labor with capital resources.
- C. consider the environmental impact of purchases.
- D. make decisions that require them to give up the next best alternative.

Item 2

Selected-Response

Use the scenario to answer the question.

Consumers make rational decisions about what they purchase every day. For example, Esther went to the supermarket to buy apples to make two pies. She needed at least five apples for each pie. Golden Delicious apples cost 25 cents apiece; a bag of 16 Golden Delicious apples costs \$3.25. She bought the bag of Golden Delicious apples, even though she would have six apples left after making the pies.

Which statement BEST describes Esther's choice?

- A. Esther decided the marginal benefit of having six more apples exceeded the marginal cost of paying 75 cents extra.
- B. Esther decided the marginal benefit of having six more Golden Delicious apples did not exceed the marginal cost of paying 75 cents extra.
- C. Esther compared the price per apple and decided the most expensive apples would be the best to buy, so she bought the bag.
- D. Esther compared the prices of the individual apples and the bag of apples and bought exactly the number of apples she needed to make two pies.

Item 3

Selected-Response

Fifteen-year-old Calvin has inherited \$3,000 from an aunt. He wants to create an investment plan that has a very low risk but still increases the money he will have for college.

Based on Calvin's requirements, in which option should he MOST LIKELY invest?

- A. precious metals
- B. corporate stocks
- C. a savings account
- D. a municipal bond

ACTIVITY

Tracking Investment Options

Standard: SSEPF1c

To help you better understand your own personal finances and the choices available for investments, you can track investment options. Pretend you have \$3,000 to invest in one of four different types of investment: a mutual fund, bonds, CDs, or individual stocks. Research the different types of investment and decide how to invest the money. Then keep data on how well your investment did each day for a month. To understand how events connect and influence investments and economies around the world, you should track the following:

- Whether the investment's worth increased or decreased on a daily basis
- The Federal Reserve System's interest rate changes, if any, and the effect any rate changes had on the worth of the investment
- Any significant world or national event that influenced the worth of the investment, including weather and war
- Any significant event in U.S. politics that influenced the worth of the investment
- Any significant business event, such as the merging of two large corporations or the bankruptcy of a financial institution
- The general strengths or weaknesses of international markets

After a month you should answer the following questions as a follow-up to the investment program:

- What is the overall risk factor of the investment?
- What is the relationship between the Federal Reserve interest rate policy and the gains or losses of the investments?
- Did the overall average of the investments reflect a gain or loss?
- Did world events affect the investments?
- Did business mergers or business failures have any effect on the investments?
- Did the strengths and/or weaknesses of various international markets affect the investments in the United States?

UNIT 3: MARKETS: NOT JUST FOR FLEAS AND STOCKS

In this unit, you will demonstrate their knowledge of microeconomic concepts. You will learn what motivates trade and why businesses and individuals specialize in a specific skill. You will learn how decisions made by one person, business, or group affect others and how scarcity drives decision making. You will also learn that many people or parties respond predictably to both positive and negative incentives.

KEY IDEAS

Gain From Trade

- Specialization by businesses and individuals (SSEF3a)
- Desire to trade (SSEF3b)
- Circular flow diagram (SSEMI1a)

Incentives

- Role of money (SSEMI1b)
- Law of Supply and Law of Demand (SSEMI2a)
- Role of prices as incentives (SSEMI2c)
- Role of profit as incentive (SSEMI4b)
- Incentives and market structures (SSEMI4c)
- Elasticity (SSEMI3c)

Interdependency

- Relationship of supply/demand (producers/consumers) in determining equilibrium (SSEMI2b,c, SSEMI3a, SSEMI3b,c)

Scarcity

- Choices made in business decisions (SSEMI4a,c)

KEY TERMS

Microeconomics: the study of people and businesses within a single market. This small focus—on only one particular market—is one way microeconomics (literally “small economics”) is different from **macroeconomics** (“large economics”).

Law of Supply: a principle that explains the impact of the change of price of quantity supplied. (SSEMI2a)

Law of Demand: a principle that explains the impact of the change of price of quantity demanded. (SSEMI2a)

Price elasticity: the effect the change in the price has on the change in quantity.

- price elastic
- price inelastic

Prices are rarely stable over a long period of time. Many factors can affect the supply or demand curves within a market. Here are some of the factors that can affect the price and quantity of a good.

Factors Affecting Supply and Demand

- costs of inputs/resources
- changes in technology
- substitute goods
- complementary goods
- changes in income
- changes in preference

There are many different types of business organizations, and each type has its advantages and disadvantages.

1. **Sole proprietorship:** A sole proprietorship has a single owner. (SSEM14a)
2. **Partnership:** A partnership divides up the risk and reward among a group of people. (SSEM14a)
3. **Corporations:** Corporations issue stock, and anyone who owns stock in a company owns a portion of that corporation. (SSEM14a)

Specialization: allows people to concentrate on a single activity or area of expertise. (SSEF3)

Monopoly: a market structure in which a commodity is supplied by one firm. (SSEMI4c)

Oligopoly: a market structure of imperfect competition in which an industry is dominated by a small number of suppliers. (SSEMI4c)

Monopolistic competition: a market structure in which there are a large number of sellers who are supplying goods that are close, but not perfect, substitutes. Sellers have a degree of control over price. There are few long-term barriers of entry and exit. (SSEMI4c)

Pure competition: a market structure in which there are a large number of sellers who are supplying goods but not a large enough number to set the price of the goods. There are no barriers of entry and exit. (SSEMI4c)

SAMPLE ITEMS**Item 4****Selected-Response**

Which of these is measured by price elasticity of demand?

- A. how the supply cycle of a product affects the price of a product
- B. how the price changes the quantity demanded of that product
- C. the difference between price demanded and the sales tax on a product
- D. the effect of raising the prices of products on reducing the quantity supplied

Item 5**Selected-Response**

Read the scenario.

Juanita and Sarah made 100 T-shirts with a picture of their school's basketball team to celebrate winning the division championship. They sold the T-shirts for \$5 each. The T-shirts sold quickly. Juanita and Sarah realized that \$5 a shirt did not cover their costs, and they raised the price to \$8 a shirt. As a result, sales declined and they had 20 unsold T-shirts at the end of the year.

Which term BEST describes what happened when Juanita and Sarah raised the price of the T-shirts?

- A. Law of Supply
- B. Law of Demand
- C. opportunity cost
- D. comparative advantage

Item 6**Selected-Response**

In the U.S. economy, a few firms dominate the wireless telephone provider industry. Which type of market structure does that represent?

- A. oligopoly
- B. monopoly
- C. pure competition
- D. monopolistic competition

ACTIVITY

A Twenty-First Century Economy

Standard: SSEF1

To better understand Georgia's economy in the twenty-first century, you will define and identify one example each of the productive resources Georgia currently has. Pick one of the factors of production: land (natural), labor (human), capital (capital goods), or entrepreneurship. Then research the productive resources and find answers to the following questions:

- **Land:** Identify one natural resource Georgia currently has that is used in the production of a good(s). Is this a renewable or nonrenewable natural resource? What good(s) is the natural resource used in producing? For what market?
- **Labor:** Identify one product of Georgia and explain the skill level of Georgia workers who produce that good or service. Describe the workforce that creates this good or service.
- **Capital:** What capital goods (tools and machinery, factories) does Georgia have for producing a specific good or service that it currently produces? Have those capital goods increased or decreased in the twenty-first century? Why?
- **Entrepreneurship:** Identify one entrepreneur in Georgia who in the twenty-first century has tried to make a profit by producing a good or service—combining all the factors of production—and started a business. Has the entrepreneur been successful? Explain why or why not.

After you have finished your research, summarize your information and share it with a friend or a family member.

UNIT 4: GOVERNMENT AND THE ECONOMY

In Unit 4, you will study the fundamental concepts of macroeconomics. Incorporating the theme of Incentives, you will analyze how various tools of fiscal and monetary policy can be used to improve economic performance. Applying the theme of Interdependency, you will discuss the impact of fiscal and monetary policies, the trade-offs policy makers must consider, and how different policy options increase or reduce the national deficit/debt. Using the theme of Scarcity, you will discuss how a nation's economic system and its prioritization of social economic goals will influence policy options as well as the type of, and distribution methods for, public goods and services.

KEY IDEAS

Incentives

- Taxing decisions (SSEMA3b)
- Tools of the Fed (SSEMA2c)
- Frictional unemployment (SSEMA1d)

Interdependency

- Government decisions and their effects (SSEF5, SSEMA2, SSEMA3, SSEPF3)
- Components of Macroeconomics (SSEMA1)
- Fiscal and Monetary Policy (SSEMA2, SSEMA3)
- Structural and cyclical unemployment (SSEMA1d)
- Business cycle and relationship to unemployment (SSEMA1e)
- Debt/Deficit relationship (SSEMA1f)

Scarcity

- Ways different economic systems answer basic economic questions (SSEF4)
- Government distribution of goods and services (SSEF5)
- Decisions in relation to measuring the economy (SSEMA1a, b, c)

KEY TERMS

Macroeconomics: a term meaning “large economics” that covers large-scale economic issues. While a single company has employees, a nation has a national employment rate. While a single firm produces a set of goods or services, a nation has a Gross Domestic Product (GDP), which is the sum of *all* goods and services produced.

Key economic indicators:

Gross Domestic Product: consumer expenditures + business investment + government expenditures + net exports

Net Exports: exports – imports

Inflation: a rise in the price level.

Consumer Price Index: the average price of a market basket of goods used to measure inflation.

Aggregate supply and demand are macroeconomic ideas that parallel supply and demand in microeconomics. Total demand for goods and services within a nation combines to form **aggregate demand**, while the total supply of goods and services within a country is its **aggregate supply**.

A **recession** is typically defined as a decrease in total output that lasts for at least two consecutive quarters of a year.

Forms of Unemployment

1. **Structural:** Structural unemployment occurs when someone has job skills that no one wants, or when a company wants to hire somebody but can't find anyone who has the necessary requirements.
2. **Frictional:** Unemployed people don't always take the very first job they can find. They often wait to find a job that fits their talents and preferences. While they search for a job that is a good fit, these people are frictionally unemployed.
3. **Cyclical:** Most economies encounter cyclical periods of growth and recession. People who are laid off as a result of a contracting economy are cyclically unemployed.

Business cycle: The economy goes through a cycle of expansion and contraction.

- **Peak:** the highest point in the business cycle, marking the end of an economic expansion and the start of a contraction in the business cycle. (SSEMA1e)
- **Contraction:** a stage in the business cycle in which the economy as a whole is in decline. (SSEMA1e)
- **Trough:** the lowest point in the business cycle, marking the end of an economic contraction and the start of a recovery. (SSEMA1e)
- **Recovery:** a stage in the business cycle that signals the beginning of economic growth and the end of a recession. (SSEMA1e)
- **Expansion:** a stage in the business cycle in which the economy as a whole grows until it reaches a peak. (SSEMA1e)

SAMPLE ITEMS

Item 7

Selected-Response

Which statement BEST describes the role of the government in a mixed-market economic system?

- A. It dictates what is to be produced.
- B. It determines for whom goods are to be produced.
- C. It restricts the industrial purchases of raw materials.
- D. It monitors the safety of goods and services through regulatory agencies.

Item 8

Selected-Response

Which statement BEST describes the U.S. government's monetary policy and fiscal policy?

- A. Monetary policy reflects the Federal Reserve's authority to change the money supply; fiscal policy reflects the government's power to influence the economy through taxes, expenditures, and borrowing.
- B. Monetary policy reflects the Federal Reserve's authority to change tax rates; fiscal policy reflects the government's power to influence the money supply by lowering the discount rate for loans to banks.
- C. Monetary policy refers to the Federal Reserve's influence in the economy through borrowing and creating a deficit; fiscal policy refers to the government's authority to increase spending.
- D. Monetary policy refers to the Federal Reserve's authority to increase spending; fiscal policy refers to the government's authority to increase the discount rate for loans to banks.

Item 9

Selected-Response

If the Federal Reserve System wanted to stimulate the U.S. economy and reduce unemployment, it would

- A. cause interest rates to decrease because low interest rates encourage business growth and expansion
- B. cause interest rates to rise because high interest rates encourage business growth and expansion
- C. increase the discount rate it charges banks, which would increase the money supply
- D. increase consumer spending by reducing the money supply

UNIT 5: INTERNATIONAL TRADE

In Unit 5, you will study the fundamental concepts of international economics. Incorporating the theme of Incentives, you will analyze how various trade policies, barriers, and agreements cause individuals, firms, and nations to respond in predictable ways. Applying the theme of Interdependency, you will discuss how decisions made by one trading partner cause intended and unintended consequences for others and how international exchange rates affect the balance of trade between nations. Using the themes of Gains from Trade and Scarcity, you apply the law of comparative advantage to their nation's production and specialization decisions. You will also evaluate the costs and benefits of their trading relationships and explain why and how various productive resources must often be redirected to other industries when new trading relationships develop.

KEY IDEAS

Scarcity

- Exchange rates (SSEIN3a,d)
- Limited Resources (SSEIN1)

Gains from Trade

- Absolute/comparative advantage (SSEIN1a,b)
- Reasons for trade (SSEIN2e)

Incentives

- Arguments for/against free trade (SSEIN2a,c,e)
- Exchange rates (SSEIN3d)

Interdependency

- Balance of payments/trade (SSEIN1c)
- Trade barriers (SSEIN2a,c)
- Trading blocks (SSEIN2d)
- Exchange rates (SSEIN3)

KEY TERMS

A good way to think of Unit 5 is “macro-macroeconomics.” While microeconomics covers the interaction of a single market and macroeconomics views the larger national picture, international economics views an even larger picture: how the various national economies interact to form a world economy. The growth of massive multinational corporations is one sign that the world's economy is becoming more interconnected each year. As national economies become more interconnected, international economic issues such as trade agreements and trade barriers become more important.

International trade allows a country to concentrate on what it does best and trade for what it can't or doesn't produce. In effect, trade allows a country to specialize in certain goods, which leads to more efficient production.

When a country has an **absolute advantage** over another country, it simply means that the country can produce more of a good than another country. (SSEIN1a)

While large countries will probably have an absolute advantage in production over smaller countries, when any two countries are producing two goods (like cars and sugar), one country will always have a **comparative advantage** over the other in the production of one of the two goods. (SSEIN1a)

Barriers to Trade (SSEIN2a)

1. **Tariff:** A tariff is a tax on an imported good.
2. **Quota:** A quota is similar to a tariff, but instead of taxing the import, a quota limits the amount of a good that is allowed into the country.
3. **Embargo:** An embargo on a particular good is like a quota set at zero; a government completely prohibits the import of that item.
4. **Standards:** Governments employ standards to ensure the safety of imported goods and to make sure that these goods comply with local laws. For example, the use of lead in paint is prohibited in the United States.
5. **Subsidy:** With a subsidy, the government makes payments to a local supplier to reduce the production costs of the supplier.

Tariffs, quotas, and other trade agreements are international trade issues that entire countries must address. For individuals, the exchange rate is one of the most important international trade issues. The **exchange rate** measures the price of one nation's currency in terms of another nation's currency. (SSEIN3a)

Exchange rates move up and down to reflect the value of one country's currency in comparison to another. If there is a great demand for U.S. products, people need more U.S. dollars to purchase these goods. This drives the demand for U.S. dollars up, causing the dollar to **appreciate**, or strengthen. At the same time, the peso has **depreciated**, or weakened, relative to the dollar. (SSEIN3d)

SAMPLE ITEMS

Item 10

Selected-Response

If the U.S. government disagrees with a foreign country's politics and wants to prevent trading with that country, the **MOST** effective action the U.S. government can take is to

- A. place high tariffs on all goods from that country
- B. place an embargo on all goods from that country
- C. enforce safety standards on all goods from that country
- D. enforce a quota on all goods shipped from that country

Item 11

Selected-Response

Which of these **BEST** defines the term *balance of trade*?

- A. the difference between a country's exchange rate and the value of a country's imports
- B. the value of a country's goods and services that are exported divided by its per capita income
- C. the difference between the yearly value of a country's exports and the yearly value of goods it produces
- D. the value of a country's exported goods and services minus the value of goods and services a country imports

Item 12

Selected-Response

What is the **MOST LIKELY** result of an increase in the value of the U.S. dollar against the Chinese renminbi?

- A. U.S. workers in the United States would probably benefit.
- B. Chinese importers of U.S. goods would probably benefit.
- C. U.S. consumers of Chinese goods would probably benefit.
- D. Chinese consumers of Chinese goods would probably benefit.

ACTIVITY

Effects of NAFTA

Standard: SSEIN2

You will investigate examples of world trading blocs such as NAFTA, EU, and ASEAN. To identify and understand how an international trade agreement affects businesses and economic activity in people's everyday lives, you will examine the specific effect NAFTA has had on agricultural products, clothing, and technology in the United States and especially in Georgia. Pick one of the three types of products and research how NAFTA has changed production and trading of that product. Select one item in your category. For example, for agriculture, you might choose the peanut industry; for clothing, the manufacturing of an item such as T-shirts; for technology, the manufacturing of a technology product such as televisions. Include in your research how NAFTA affects Georgia's overall economy.

After completing your research you should be able to answer the following questions:

- Prior to NAFTA, where were the products you researched produced?
- How did the growing or manufacturing of these goods in the United States affect the economy in Georgia?
- What happened to the growing or manufacturing of these goods after NAFTA was initiated, and how did that affect the economy in Georgia?
- What influence has NAFTA had on your personal spending?

After your research is complete, share your findings with a friend or a member of your family.

UNIT 6: LET'S MAKE IT PERSONAL

In Unit 6, you will study the fundamental concepts of personal finance economics. You will incorporate the theme of Incentives, analyzing how the household can gain and lose through various forms of personal savings/investment, insurance, credit, and skill development. You will apply the theme of Interdependency, evaluating how the potential gains and losses they predict could be affected by changing economic factors.

KEY IDEAS

Incentives

- Importance of investment and personal interest rates (SSEPF2a,b,d)
- Risk vs. Return (SSEPF2c)
- Credit (SSEPF4a,b,c)
- Importance of education (SSEPF6)

Interdependency

- Role of insurance (SSEPF5)

KEY TERMS

Savings are monetary deposits secured for a later, undetermined use. Money in savings might eventually be spent on groceries, a vacation, or some other form of consumption.

An **investment** is money used with the expectation of some future return or benefit.

Types of Financial Institutions

- **Bank:** For most consumers, banks provide a safe means to store earnings. Typically, banks also offer direct deposit (where a person's paycheck goes directly into his or her account), check-writing services, debit and credit cards, loans of all sorts (personal, home equity, business), and a host of other services. In their basic form, banks take the money deposited in them and loan out a portion of these savings to people who apply for them. By charging interest on the loans, banks make money. (SSEPF2a)
- **Credit union:** A credit union provides services similar to a bank; the main difference is that a credit union only provides these services to its members, and these members own and control the institution. (SSEPF2a)
- **Savings and loan:** This organization is like a focused bank; instead of providing a wealth of services, a savings and loan takes deposits and concentrates on the two areas in its name: savings and (mortgage) loans. People who put money into a savings and loan know that it will not be as easily accessible as money placed in a commercial bank, but this should be offset by a higher savings rate than a typical commercial bank. (SSEPF2a)

- **Finance company:** Suppose you need \$50 on Wednesday but won't get paid by your job until Friday. To solve this temporary problem, a finance company will give out small loans in return for a portion of the upcoming paycheck. This means the person will get \$50 on Wednesday. The finance company charges a high interest rate because of high risk. (SSEPF2a)

Mutual fund: This is usually a collection of various investments (stocks, bonds, and other forms of securities). The goal of a fund is to have many people pool their earnings, thereby giving these individual investors much greater purchasing power as a unit. The accrued earnings are then used to buy a range of investment options, and any earnings made by the fund are distributed among the individuals. (SSEPF2a)

Inflation is the increase in the price level of goods and services in an economy over time. It generally harms an individual because wages tend to rise more slowly than prices. There are a variety of factors involved. Over time, workers will demand more money to keep up with having to pay higher prices, but in the short run inflation causes an increase in prices. If this increase is not matched by a similar increase in wages, workers will find that their paycheck can no longer purchase all the items they once purchased. (SSEPF3a)

Regardless of what wages are and whether or not inflation is occurring, the government collects taxes. As mentioned earlier, the federal tax code is complicated, but it can be broadly described as a progressive tax, as discussed below.

Types of Taxation (SSEPF3b)

1. **Progressive tax:** with a progressive tax system, the tax rate increases as income increases, meaning the wealthy pay a higher percentage of their earnings than people less financially well-off. (SSEPF5a,b)
2. **Regressive tax:** with a regressive tax, such a sales tax, the impact of the tax rate diminishes as the taxable amount increases.
3. **Proportional tax:** also known as a flat tax, a proportional tax does not change with respect to changes in income. If the proportional tax rate is 15%, then everyone pays 15%, regardless of whether he or she makes \$10,000 or \$570,000.

Credit worthiness is a measure of a variety of factors, but it boils down to an attempt to determine whether you'll be able to pay back the loan properly. (SSEPF4a)

Overall, taking out a loan or using some other form of credit can be very helpful in a variety of instances. In every case, a consumer must balance the benefit of having access to additional money with the cost associated with the interest and the possible financial difficulties that can result from defaulting on a loan.

Insurance

In general, all **insurance policies** allow a person or business to pay a relatively small amount of money (a **premium**) in the present to purchase **asset protection** against the possibility of a future financial loss caused by an unforeseen event. Assets that can be protected range from one's home to one's health. Most insurance policies include a **deductible** that stipulates the amount of money the insured must pay when a claim is filed with the insurance company. Purchasing insurance involves **shared liability** between the insurer and the insured.

In addition to the many kinds of house and auto insurance policies available, there are also many kinds of insurance policies for people, including health, disability, and life insurance. Health insurance is designed to pay for medical costs; disability insurance provides people with income in case they become injured or are unable to work at a job; and life insurance provides a monetary payment when the insured person dies. (SSEPF5a,b)

Factors That Affect Earnings

In general, the two factors that can boost the wages of a particular job are demand for that service and the training requirements needed for the job. High demand raises wages because it allows the limited supply of labor force in that area to ask for more money and get it. Additional training (educational or job specific) frequently raises wages and standards of living. (SSEPF6a,b)

SAMPLE ITEMS

Item 13

Selected-Response

Which statement describes one difference between a savings and loan association and a credit union?

- A. A savings and loan association does not grant mortgages; a credit union usually grants mortgages to its members.
- B. A savings and loan association provides its services to the general public; a credit union only provides its services to its members.
- C. A savings and loan association provides interest on saving accounts; a credit union does not provide interest on savings accounts.
- D. A savings and loan association has savings deposits insured by the federal government; savings deposits in a credit union are not insured.

Item 14

Selected-Response

When Jason bought a car and went to register it with the state Department of Motor Vehicles, he needed to show proof of insurance. What kind of insurance did Jason need to have?

- A. disability insurance
- B. automobile insurance
- C. health insurance
- D. life insurance

Item 15

Selected-Response

In the twenty-first century, which skills are MOST LIKELY to lead to success in the workplace in the United States?

- A. blacksmithing skills
- B. assembly line skills
- C. technology skills
- D. telephone switchboard skills

ACTIVITY

Government Bonds

Standard: SSEPF2

To understand the investment possibilities in the state and municipalities of Georgia, research one current Georgia state or municipal bond offering made in the last five years. You should summarize your findings in a report that includes charts or graphs. Your reports should include the following:

- Identification of the bond offering: whether it is offered by the state or a municipality and, if a municipality, identify its location.
- Identification of the purpose and the terms of the bond, including the rate and the length of investment.
- Summary of the project that the bond finances.
- Statement indicating whether the bonds would or would not be a good investment, providing reasons for this point of view.

Discuss with your friends or family their bond selections and whether their bonds fulfilled the financial needs of the municipality or state.

ADDITIONAL SAMPLE ITEMS KEY

Item	Standard/ Element	DOK Level	Correct Answer	Explanation
1	SSEF1d	1	D	The correct answer is choice (D) make decisions that require them to give up the next best alternative. Choice (A) is incorrect because sales taxes do not affect opportunity cost. Choice (B) is incorrect because understanding the elements of production is not part of opportunity cost. Choice (C) is incorrect because environmental costs are not part of opportunity cost.
2	SSEF2b	2	A	The correct answer is choice (A) Esther decided the marginal benefit of having six more apples exceeded the marginal cost of paying 75 cents extra. Choice (B) is incorrect because Esther bought the bag of Golden Delicious apples. Choice (C) is incorrect because the scenario does not support the idea that she wanted to buy the most expensive apples. Choice (D) is incorrect because she bought more apples than she needed for the pies. The marginal benefit of having the extra Golden Delicious apples made up for the marginal cost.
3	SSEPF1c	2	D	The correct answer is choice (D) a municipal bond. The key here is that Calvin wants a very low risk. Choice (A) is incorrect because precious metals have high risk. Choice (B) is incorrect because corporate stocks have great risk. Choice (C) is incorrect because a savings account has low risk but usually has very little return. A certificate of deposit will give him a return on his money with very low risk.
4	SSEMI3c	1	B	The correct answer is choice (B) how the price changes the quantity demanded of that product. Choice (A) is incorrect because price elasticity of demand does not measure the supply cycle of a product. Choice (C) is incorrect because price elasticity of demand does not measure the relationship between price and sales tax. Choice (D) is incorrect because price elasticity of demand does not measure the quantity supplied.

Item	Standard/ Element	DOK Level	Correct Answer	Explanation
5	SSEMI2a	2	B	The correct answer is choice (B) Law of Demand. If a product has a low price, consumers will buy more of the product than if the price is high. If the price of a good or service increases, the consumer demand for that good or service decreases. Choice (A) is incorrect because the supply did not change. Choice (C) is incorrect because opportunity cost was not involved in Juanita and Sarah's decision to raise the price of the T-shirts. Choice (D) is incorrect because comparative advantage occurs when a company can produce an item more efficiently than other companies. The Law of Demand was in play when the price was raised.
6	SSEMI4c	2	A	The correct answer is choice (A) oligopoly. A few companies dominate the wireless telephone provider industry in the United States. While there is not much competition in an oligopoly such as the wireless telephone industry, companies are aware of the prices the other companies are setting. Choice (B) is incorrect; in a monopoly, one firm has the exclusive right to make or supply a product. Electric companies that supply electricity to cities and towns are monopolies that are regulated by the government. Choice (C) is incorrect; a pure competition is a market in which homogenous products are sold, such as sweet potatoes, and price depends on the market—the supply and the average cost of sweet potatoes. Choice (D) is incorrect; in a monopolistic competition, firms sell the same item, such as shampoo, but establish a brand that separates their product from those of other firms.
7	SSEF4a	1	D	The correct answer is choice (D) It monitors the safety of goods and services through regulatory agencies. Choice (A) is incorrect because in a mixed-market economy, the market, not the government, dictates what is to be produced. Choice (B) is incorrect because in a mixed-market economy, the government does not determine for whom goods will be produced. Choice (C) is incorrect because the government does not restrict industrial purchases of raw materials.

Item	Standard/ Element	DOK Level	Correct Answer	Explanation
8	SSEMA2b	2	A	The correct answer is choice (A) Monetary policy reflects the Federal Reserve’s authority to change the money supply; fiscal policy reflects the government’s power to influence the economy through taxes, expenditures, and borrowing. Choice (B) is incorrect because monetary policy does not involve changing tax rates, and fiscal policy does not involve changing the discount rates to banks. Choice (C) is incorrect because monetary policy does not involve borrowing money and creating a deficit. Choice (D) is incorrect because monetary policy does not involve increasing government spending, nor is fiscal policy the authority of the government to change the discount rate for loans to banks.
9	SSEMA2c	2	A	The correct answer is choice (A) cause interest rates to decrease because low interest rates encourage business growth and expansion. Choice (B) is incorrect because raising interest rates does not stimulate the economy. High interest rates restrict the economy and help curb inflation. Choice (C) is incorrect because if the Fed increased the discount rate it charges banks, banks would decrease the number of loans they make to consumers. To stimulate the economy, the Fed has to get money into the hands of consumers and businesses. Choice (D) is incorrect because if the Fed reduced the money supply, consumer spending would decrease, not increase.
10	SSEIN2a	2	B	The correct answer is choice (B) place an embargo on all goods from that country. An embargo stops all trade with a country. Choice (A) is incorrect because tariffs allow trade; they just raise the price of the products being imported. Choice (C) is incorrect because safety standards do not stop trade with that country; they just put some requirements on the goods that country is trading. Choice (D) is incorrect because a quota just limits trade from that country; it does not completely stop trade with that country.

Item	Standard/ Element	DOK Level	Correct Answer	Explanation
11	SSEIN1c	1	D	The correct answer is choice (D) the value of a country's exported goods and services minus the value of goods and services a country imports. Choice (A) is incorrect because balance of trade is not the difference between a country's exchange rate and the value of its imports. Choice (B) is incorrect because balance of trade does not involve a country's per capita income. Choice (C) is incorrect because balance of trade does not involve the yearly value of goods a country produces.
12	SSEIN3c	2	C	The correct answer is choice (C) U.S. consumers of Chinese goods would probably benefit. Choice (A) is incorrect because the exchange rate would most likely hurt U.S. workers because sales of goods made in the United States would be negatively affected by Chinese competition. Choice (B) is incorrect because Chinese importers of U.S. goods would most likely have to pay more for them. Choice (D) is incorrect because the exchange rate would most likely not affect Chinese goods sold in China.
13	SSEPF2a	2	B	The correct answer is choice (B). A savings and loan association provides its services to the general public; a credit union only provides its services to its members. Choice (A) is incorrect because a savings and loan association does grant mortgages. Choice (C) is incorrect because a credit union does provide interest. Choice (D) is incorrect because savings deposits in both institutions are insured by the federal government through either the Federal Deposit Insurance Corporation or the Share Insurance Fund (NCUSIF).

Item	Standard/ Element	DOK Level	Correct Answer	Explanation
14	SSEPF5b	2	B	The correct answer is choice (B) automobile insurance. Some states require that all registered automobiles have automobile insurance. Should Jason cause an accident, his automobile insurance will cover most of the costs of car damages the accident incurred. Choice (A) is not correct because disability insurance gives covered individuals an income should they be unable to work. Choice (C) is not correct; health insurance pays for a person's medical costs. Choice (D) is not correct; life insurance pays a sum of money, depending on the coverage, to a beneficiary when a person dies.
15	SSEPF6a	1	C	The correct answer is choice (C) technology skills. The 21st century is the age of digital technology. Choice (A) is incorrect because the demand for blacksmithing skills is not common. Choice (B) is incorrect because the demand for assembly line skills is very low in the U.S. job market. Manufacturing jobs have either been outsourced to other countries or the assembly line work is done by robots. Choice (D) is incorrect; telephone switchboards no longer exist.

Study/Resource
Guide for Students
and Parents
Economics/
Business/
Free Enterprise
End-of-Course

