Standard 18 : Macroeconomy-Income/Employment, Prices

Students will understand that:
A nation's overall levels of income, employment, and prices are determined by the interaction of spending and production decisions made by all households, firms, government agencies, and others in the economy.

Students will be able to use this knowledge to:
Interpret media reports about current economic conditions and explain how these conditions can influence decisions made by consumers, producers, and government policy makers.

Changes in national levels of spending, production, and income can seem rather abstract and remote to students, because individuals can do little or nothing to change overall levels of economic activity. However, these activity levels can have a profound effect on students' future welfare, their job opportunities, the level of their prospective earnings, and the prices they will pay for things they buy. It is important, therefore, for students to understand possible causes of changes in these levels and how such changes can produce problems (such as unemployment and inflation) or opportunities (such as increased employment). Understanding these macroeconomic forces equips students to anticipate and respond intelligently to economic developments. It also enables students to predict the economic consequences of proposed government policies and to make informed choices among alternative public policy proposals.

Benchmarks

Grade 8

At the completion of Grade 8, students will know the Grade 4 benchmarks for this standard, and also that:	At the completion of Grade 8, students will use this knowledge to:
Gross Domestic Product (GDP) is a basic measure of a nation's economic output and income. It is the total market value, measured in dollars, of all final goods and services produced in the economy in one year.	Explain what GDP is and how it can be used to describe a country's economic output over time, comparing outputs from year to year.
Per capita GDP is GDP divided by the number of people living in a country.	Determine the per capita GDP for several countries, given data on population and GDP for each country. Identify a few other countries whose per capita GDP is similar to that of the United States.
When consumers make purchases, goods and services are transferred from businesses	Draw and label a circular flow diagram and explain the interrelated roles of households,

to households in exchange for money payments. That money is used in turn by businesses to pay for productive resources (natural, human, and capital), and to pay taxes.	businesses, and government in the economy.

Grade 12

At the completion of Grade 12, students will know the Grade 4 and Grade 8 benchmarks for this standard, and also that:	At the completion of Grade 12, students will use this knowledge to:
Nominal GDP is measured in current dollars; thus, an increase in GDP may reflect not only increases in the production of goods and services, but also increases in prices. GDP adjusted for price changes is called "real GDP." Real GDP per capita is a measure that permits comparisons of material living standards over time and among different nations.	Gather current and historical data on real per capita GDP for the United States, Japan, Somalia, and South Korea and state a relationship between real GDP and standard of living.
The potential level of real GDP for a nation is determined by the quantity and quality of its natural resources, the size and skills of its labor force, and the size and quality of its stock of capital resources.	Locate and analyze relevant data from appropriate reference materials to assess the validity of the following statement: It is doubtful that many of the countries of Sub-Saharan Africa will ever have GDPs that approach the value of those of Western European countries.
One person's spending is other people's income. Consequently, an initial change in spending (consumption, investment, government, or net exports) usually results in a larger change in national levels of income, spending, and output.	Read the following scenario and analyze the effects on the economy: A visitor comes into a community and spends $100 on a single purchase at a video store. The video store's income is higher by $100. It spends $80 of the money to pay the telephone bill, which now becomes income to the telephone company, and so forth.
When desired expenditures for consumption, investment, government spending, and net exports are greater than the value of a nation's output of final goods and services, GDP rises, and inflation occurs and/or employment rises.	Describe the effect on the economy when desired expenditures for consumption, investment, government spending, and net exports exceed the value of a nation's output of final goods and services.

When desired expenditures for consumption, investment, government spending, and net exports are less than the value of a nation's output of final goods and services, GDP decreases and inflation and/or employment decreases.	Describe the effect on the economy when desired expenditures for consumption, investment, government spending, and net exports are less than the value of a nation's output of final goods and services.