

## Standard 4 : Role of Incentives

### Students will understand that:

People respond predictably to positive and negative incentives.

### Students will be able to use this knowledge to:

Identify incentives that affect people's behavior and explain how incentives affect their own behavior.

## Benchmarks

### Grade 4

At the completion of Grade 4, students will know that:	At the completion of Grade 4, students will use this knowledge to:
Rewards are positive incentives that make people better off.	List examples of rewards that are incentives for positive classroom behavior.
Penalties are negative incentives that make people worse off.	List examples of penalties or negative incentives that discourage inappropriate behavior at home.
Both positive and negative incentives affect people's choices and behavior.	Identify examples of incentives and categorize them as positive or negative.
People's views of rewards and penalties differ because people have different values. Therefore, an incentive can influence different individuals in different ways.	Identify the incentives that would encourage them to read a book, to return their library books on time, to repay money they borrow from the school cafeteria for lunch, and to complete their homework assignments on time; explain why various students respond differently to incentives to do these things. Also, explain why some students will do extra-credit work and some will not.

### 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:
Responses to incentives are predictable because people usually pursue their self-interest.	Explain why they would be willing to shovel snow when temperatures are below freezing, mow lawns when their friends are going to a movie, or babysit on a weekend

	evening instead of going with friends to a dance.
Changes in incentives cause people to change their behavior in predictable ways.	Predict how students' study habits will change if the grading system changes from letter grades to pass/fail to no grades.
Incentives can be monetary or non-monetary.	Identify the monetary and non-monetary incentives related to taking a driver's education class.

## Grade 12

<b>At the completion of Grade 12, students will know the Grade 4 and Grade 8 benchmarks for this standard, and also that:</b>	<b>At the completion of Grade 12, students will use this knowledge to:</b>
Acting as consumers, producers, workers, savers, investors, and citizens, people respond to incentives in order to allocate their scarce resources in ways that provide the highest possible returns to them.	Analyze the impact (on consumers, producers, workers, savers, and investors) of an increase in the minimum wage, a new tax policy, or a change in interest rates.
Small and large firms, labor unions and educational, and other not-for-profit organizations have different goals and face different rules and constraints. These goals, rules, and constraints influence the benefits and costs of those who work with or for those organizations, and, therefore, their behavior.	Compare and contrast the incentives an individual might face in serving as an elected official, the owner of a small business, the president of a large company, and the director of a local United Way office.