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National Standards for Social Studies

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NSS-EC.5-8.1 SCARCITY

Productive resources are limited. Therefore, people can not have all the goods and services they want; as a result, they must choose some things and give up others.

At the completion of Grade 8, students will know the Grade 4 benchmarks for this standard and also understand:

- Scarcity is the condition of not being able to have all of the goods and services that one wants. It exists because human wants for goods and services exceed the quantity of goods and services that can be produced using all available resources.
- Like individuals, governments and societies experience scarcity because human wants exceed what can be made from all available resources.
- Choices involve trading off the expected value of one opportunity against the expected value of its best alternative.
- The choices people make have both present and future consequences.
- The evaluation of choices and opportunity costs is subjective; such evaluations differ across individuals and societies.

[\[SOURCE\]](#)

NSS-EC.5-8.2 MARGINAL COST/BENEFIT

Effective decision making requires comparing the additional costs of alternatives with the additional benefits. Most choices involve doing a little more or a little less of something: few choices are "all or nothing" decisions.

At the completion of Grade 8, students will know the Grade 4 benchmarks for this standard, and also understand:

- To determine the best level of consumption of a product, people must compare the additional benefits with the additional costs of consuming a little more or a little less.

[\[SOURCE\]](#)

NSS-EC.5-8.3 ALLOCATION OF GOODS AND SERVICES

Different methods can be used to allocate goods and services. People acting individually or collectively through government, must choose which methods to use to allocate different kinds of goods and services.

At the completion of Grade 8, students will know the Grade 4 benchmarks for this standard, and also understand:

- Scarcity requires the use of some distribution method, whether the method is selected explicitly or not.
- There are essential differences between a market economy, in which

allocations result from individuals making decisions as buyers and sellers, and a command economy, in which resources are allocated according to central authority.

- People in all economies must address three questions: What goods and services will be produced? How will these goods and services be produced? Who will consume them?
- National economies vary in the extent to which they rely on government directives (central planning) and signals from private markets (prices) to allocate scarce goods, services, and productive resources.
- As consumers, people use resources in different ways to satisfy different wants. Productive resources can be used in different ways to produce different goods and services.

[\[SOURCE\]](#)

NSS-EC.5-8.4 ROLE OF INCENTIVES

People respond predictably to positive and negative incentives.

At the completion of Grade 8, students will know the Grade 4 benchmarks for this standard, and also understand:

- Responses to incentives are predictable because people usually pursue their self-interest.
- Changes in incentives cause people to change their behavior in predictable ways.
- Incentives can be monetary or non-monetary.

[\[SOURCE\]](#)

NSS-EC.5-8.5 GAIN FROM TRADE

Voluntary exchange occurs only when all participating parties expect to gain. This is true for trade among individuals or organizations within a nation, and usually among individuals or organizations in different nations.

At the completion of Grade 8, students will know the Grade 4 benchmarks for this standard, and also understand:

- When people buy something, they value it more than it costs them; when people sell something, they value it less than the payment they receive.
- Free trade increases worldwide material standards of living.
- Despite the mutual benefits from trade among people in different countries, many nations employ trade barriers to restrict free trade for national defense reasons or because some companies and workers are hurt by free trade.
- Imports are foreign goods and services that are purchased from sellers in other nations.
- Exports are domestic goods and services that are sold to buyers in other nations.
- Voluntary exchange among people or organizations in different

countries gives people a broader range of choices in buying goods and services.

[\[SOURCE\]](#)

NSS-EC.5-8.6 SPECIALIZATION AND TRADE

When individuals, regions, and nations specialize in what they can produce at the lowest cost and then trade with others, both production and consumption increase.

At the completion of Grade 8, students will know the Grade 4 benchmarks for this standard, and also understand:

- Labor productivity is output per worker.
- Like trade among individuals within one country, international trade promotes specialization and division of labor and increases output and consumption.
- As a result of growing international economic interdependence, economic conditions and policies in one nation increasingly affect economic conditions and policies in other nations.

[\[SOURCE\]](#)

NSS-EC.5-8.7 MARKETS -- PRICE AND QUANTITY DETERMINATION

Markets exist when buyers and sellers interact. This interaction determines market prices and thereby allocates scarce goods and services.

At the completion of Grade 8, students will know the Grade 4 benchmarks for this standard, and also understand:

- Market prices are determined through the buying and selling decisions made by buyers and sellers.
- Relative prices refers to the price of one good or service compared to the prices of other goods and services. Relative prices are the basic measures of the relative scarcity of products when prices are set by market forces (supply and demand).
- The market clearing or equilibrium price for a good or service is the one price at which quantity supplied equals quantity demanded.
- If a price is above the market clearing price, it will fall, causing sellers to produce less and buyers to purchase more; if it is below the market clearing price, it will rise, causing sellers to produce more and buyers to purchase less.
- An exchange rate is the price of one nation's currency in terms of another nations currency. Like other prices, exchange rates are determined by the forces of supply and demand. Foreign exchange markets allocate international currencies.

[\[SOURCE\]](#)

NSS-EC.5-8.8 ROLE OF PRICE IN MARKET SYSTEM

Prices send signals and provide incentives to buyers and sellers. When supply or demand changes, market prices adjust, affecting incentives.

At the completion of Grade 8, students will know the Grade 4 benchmarks for this standard, and also understand:

- An increase in the price of a good or service encourages people to look for substitutes, causing the quantity demanded to decrease, and vice versa. This relationship between price and quantity demanded, known as the law of demand, exists as long as other factors influencing demand do not change.
- An increase in the price of a good or service enables producers to cover higher per-unit costs, causing the quantity supplied to increase, and vice versa. This relationship between price and quantity supplied is normally true as long as other factors influencing costs of production and supply do not change.
- Markets are interrelated; changes in the price of one good or service can lead to changes in prices of many other goods and services.
- Scarce goods and services are allocated in a market economy through the influence of prices on production and consumption decisions.

[\[SOURCE\]](#)

NSS-EC.5-8.9 ROLE OF COMPETITION

Competition among sellers lowers costs and prices, and encourages producers to produce more of what consumers are willing and able to buy. Competition among buyers increases prices and allocates goods and services to those people who are willing and able to pay the most for them.

At the completion of Grade 8, students will know the Grade 4 benchmarks for this standard, and also understand:

- Sellers compete on the basis of price, product quality, customer service, product design and variety, and advertising.
- Competition among buyers of a product results in higher product prices.
- The level of competition in a market is influenced by the number of buyers and sellers.

[\[SOURCE\]](#)

NSS-EC.5-8.10 ROLE OF ECONOMIC INSTITUTIONS

Institutions evolve in market economies to help individuals and groups accomplish their goals. Banks, labor unions, corporations, legal systems, and not-for-profit organizations are examples of important institutions. A different kind of institution, clearly defined and enforced property rights, is essential to a market economy.

At the completion of Grade 8, students will know the Grade 4 benchmarks for this standard, and also understand:

- Banks and other financial institutions channel funds from savers to borrowers and investors.
- Through the process of collective bargaining with employers, labor unions represent some workers in negotiations involving wages, fringe benefits, and work rules.
- Not-for-profit organizations are established primarily for religious, health, educational, civic, or social purposes and are exempt from certain taxes.

[\[SOURCE\]](#)

NSS-EC.5-8.11 ROLE OF MONEY

Money makes it easier to trade, borrow, save, invest, and compare the value of goods and services.

At the completion of Grade 8, students will know the Grade 4 benchmarks for this standard, and also understand:

- As a store of value, money makes it easier for people to save and defer consumption until the future.
- As a unit of account, money is used to compare the market value of different goods and services.
- Money encourages specialization by decreasing the costs for exchange.

[\[SOURCE\]](#)

NSS-EC.5-8.12 ROLE OF INTEREST RATES

Interest rates, adjusted for inflation, rise and fall to balance the amount saved with the amount borrowed, which affects the allocation of scarce resources between present and future uses.

There are no Grade 8 benchmarks for this standard.

[\[SOURCE\]](#)

NSS-EC.5-8.13 ROLE OF RESOURCES IN DETERMINING INCOME

Income for most people is determined by the market value of the productive resources they sell. What workers earn depends, primarily, on the market value of what they produce and how productive they are.

At the completion of Grade 8, students will know the Grade 4 benchmarks for this standard, and also understand:

- Employers are willing to pay wages and salaries to workers because they expect to be able to sell the goods and services that those workers produce at prices high enough to cover the wages and

- salaries and all other costs of production.
- To earn income people sell productive resources. These include their labor, capital, natural resources, and entrepreneurial talents.
- A wage or salary is the price of labor; it usually is determined by the supply of and demand for labor.
- More productive workers are likely to be of greater value to employers and earn higher wages than less productive workers.
- People's incomes, in part, reflect choices they have made about education, training, skill development, and careers. People with few skills are more likely to be poor.

[\[SOURCE\]](#)

NSS-EC.5-8.14 PROFIT AND THE ENTREPRENEUR

Entrepreneurs are people who take the risks of organizing productive resources to make goods and services. Profit is an important incentive that leads entrepreneurs to accept the risks of business failure.

At the completion of Grade 8, students will know the Grade 4 benchmarks for this standard, and also understand:

- Entrepreneurs compare the expected benefits of entering a new enterprise with the expected costs.
- Entrepreneurs accept the risks in organizing resources to produce goods and services because they hope to earn profits.
- Entrepreneurs and other sellers earn profits when buyers purchase the product they sell at prices high enough to cover the costs of production.
- Entrepreneurs and other sellers incur losses when buyers do not purchase the products they sell at prices high enough to cover costs of production.
- In addition to profits, entrepreneurs respond to other incentives including the opportunity to be their own boss, the chance to achieve recognition, and the satisfaction of creating new products or improving existing ones. In addition to financial losses, other disincentives to which entrepreneurs respond include the responsibility, long hours, and stress of running a business.

[\[SOURCE\]](#)

NSS-EC.5-8.15 GROWTH

Investment in factories, machinery, new technology, and in the health, education, and training of people can raise future standards of living.

At the completion of Grade 8, students will know the Grade 4 benchmarks for this standard, and also understand:

- Standards of living increase as the productivity of labor improves.
- Productivity is measured by dividing output (goods and services) by the number of inputs used to produce the output. A change in productivity is a change in output relative to input.
- Technological change is an advance in knowledge leading to new and

- improved goods and services and better ways of producing them.
- Increases in productivity result from advances in technology and other sources.

[\[SOURCE\]](#)

NSS-EC.5-8.16 ROLE OF GOVERNMENT

There is an economic role for government in a market economy whenever the benefits of a government policy outweigh its costs. Governments often provide for national defense, address environmental concerns, define and protect property rights, and attempt to make markets more competitive. Most government policies also redistribute income.

At the completion of Grade 8, students will know the Grade 4 benchmarks for this standard, and also understand:

- Public goods and services provide benefits to more than one person at a time, and their use can not be restricted to only those people who have paid to use them.
- If a good or service cannot be withheld from those who do not pay for it, providers expect to be unable to sell it and, therefore, will not produce it. In market economies, governments provide some of these goods and services.
- In the United States, the federal government enforces antitrust laws and regulations to try to maintain effective levels of competition in as many markets as possible; frequently, however, laws and regulations also have unintended effects for example reducing competition.
- Most federal government tax revenue comes from personal income and payroll taxes. Payments to social security recipients, the costs of national defense, medical expenditures, and interest payments on the national debt constitute the bulk of federal government spending.
- Most state and local government revenues come from sales taxes, grants from the federal government, personal income taxes, and property taxes. The bulk of state and local government revenue is spent is for education, public welfare, road construction and repair, and public safety. nditures in their state and community with those for the U.S. federal government.

[\[SOURCE\]](#)

NSS-EC.5-8.17 USING COST/BENEFIT ANALYSIS TO EVALUATE GOVERNMENT PROGRAMS

Costs of government policies sometimes exceed benefits. This may occur because of incentives facing voters, government officials, and government employees, because of actions by special interest groups that can impose costs on the general public, or because social goals other than economic efficiency are being pursued.

There are no Grade 8 benchmarks for this standard.

[\[SOURCE\]](#)

NSS-EC.5-8.18 MACROECONOMY-INCOME/EMPLOYMENT, PRICES

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.

At the completion of Grade 8, students will know the Grade 4 benchmarks for this standard, and also understand:

- 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.
- Per capita GDP is GDP divided by the number of people living in a country.
- When consumers make purchases, goods and services are transferred from businesses 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.

[\[SOURCE\]](#)

NSS-EC.5-8.19 UNEMPLOYMENT AND INFLATION

Unemployment imposes costs on individuals and nations. Unexpected inflation imposes costs on many people and benefits some others because it arbitrarily redistributes purchasing power. Inflation can reduce the rate of growth of national living standards because individuals and organizations use resources to protect themselves against the uncertainty of future prices.

At the completion of Grade 8, students will know the Grade 4 benchmarks for this standard, and also understand:

- When unemployment exists, an economy's production is less than potential GDP and some labor resources are not used.
- The labor force consists of people age 16 and over who are employed or actively seeking work.
- Inflation reduces the value of money.
- When people's incomes increase more slowly than the inflation rate, their purchasing power declines.

[\[SOURCE\]](#)

NSS-EC.5-8.20 MONETARY AND FISCAL POLICYS

Federal government budgetary policy and the Federal Reserve System's monetary policy influence the overall levels of employment, output, and prices.

There are no Grade 8 benchmarks for this standard.
