APPENDIX D

NCEE VOLUNTARY NATIONAL CONTENT STANDARDS IN ECONOMICS*

1. 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.

2. 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.

3. 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.

4. People respond predictably to positive and negative incentives.

5. 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.

6. 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.

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

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

9. 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.

10. 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.

*"Voluntary National Content Standards in Economics," National Council on Economic Education (NCEE), 1997; as listed in *Economics, the Enterprise System and Finance*, The University of the State of New York, The State Education Department, Albany, NY (February 2002).

NCEE VOLUNTARY NATIONAL CONTENT STANDARDS IN ECONOMICS *(continued)*

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

12 • 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.

13 • 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.

14 • 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.

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

16 • 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.

17 • 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.

18 • 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.

19 • 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.

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