**ATTACHMENT III**
**Text of Proposed Revisions to 19 TAC**

# Chapter 118. Texas Essential Knowledge and Skills for Economics with Emphasis on the Free Enterprise System and Its Benefits

## Subchapter A. High School

**§118.1. Implementation of Texas Essential Knowledge and Skills for Economics with Emphasis on the Free Enterprise System and Its Benefits, High School.**

The provisions of §118.2 of this subchapter shall be superseded by §118.4 of this subchapter beginning with the 2011-2012 school year [~~supersede §75.69 of this title (relating to Economics with Emphasis on the Free Enterprise System and Its Benefits (One-half Unit)) beginning September 1, 1998.~~]

**§118.3. Implementation of Texas Essential Knowledge and Skills for Economics with Emphasis on the Free Enterprise System and Its Benefits, High School, Beginning with School Year 2011-2012.**

The provisions of §118.4 of this subchapter shall be implemented by school districts beginning with the 2011-2012 school year and at that time shall supersede §118.2 of this subchapter.

**§118.4. Economics with Emphasis on the Free Enterprise System and Its Benefits, High School (One-Half Credit), Beginning with School Year 2011-2012.**

(a) General requirements. This course will be taught in the social studies department and is recommended to be taught in Grade 12.

(b) Introduction.

(1) Economics with Emphasis on the Free Enterprise System and Its Benefits is the culmination of the economic content and concepts studied from Kindergarten through required secondary courses. The focus is on the basic principles concerning production, consumption, and distribution of goods and services (the problem of scarcity) in the United States and a comparison with those in other countries around the world. Students analyze the interaction of supply, demand, and price. Students will investigate the concepts of specialization and international trade, economic growth, key economic measurements, and monetary and fiscal policy. Students will study the roles of the Federal Reserve System and other financial institutions, government, and businesses in a free enterprise (capitalist, free market) system. Types of business ownership and market structures are discussed. The course also incorporates instruction in personal financial literacy. Students apply critical-thinking skills using economic concepts to evaluate the costs and benefits of economic issues.

(2) Economics with Emphasis on the Free Enterprise System and Its Benefits builds upon the foundation in economics and social studies laid by the social studies essential knowledge and skills in Kindergarten-Grade 12. The course will apply these skills to current economic situations. The content enables students to understand the importance of patriotism, to function in a free enterprise (capitalist, free market) society, and to appreciate the basic democratic values of our state and nation as referenced in the Texas Education Code (TEC), §28.002(h).

(3) As referenced in House Bill 492, an act of the Texas Legislature signed into law in 2005, the concepts of personal financial literacy are to be mastered by students in order that they may become self-supporting adults who can make informed decisions relating to personal financial matters. These concepts are incorporated into the student expectations of Economics with Emphasis on the Free Enterprise System and its Benefits: understanding interest, avoiding and eliminating of credit card debt; understanding the rights and responsibilities of renting or buying a home; managing money to make the transition from renting a home to home ownership; starting a small business; being a prudent investor in the stock market and using other investment options; beginning a savings program and planning for retirement; bankruptcy; types of bank accounts

available to consumers and benefits of maintaining a bank account; balancing a checkbook; types of loans available to consumers and becoming a low-risk borrower; understanding insurance; and charitable giving.

(4) State and federal laws mandate a variety of celebrations and observances, including Celebrate Freedom Week.

(A) Each social studies class shall include, during Celebrate Freedom Week as provided under TEC, §29.907, or during another full school week as determined by the board of trustees of a school district, appropriate instruction concerning the intent, meaning, and importance of the Declaration of Independence and the U.S. Constitution, including the Bill of Rights, in their historical contexts. The study of the Declaration of Independence must include the study of the relationship of the ideas expressed in that document to subsequent American history, including the relationship of its ideas to the rich diversity of our people as a nation of immigrants, the American Revolution, the formulation of the U.S. Constitution, and the abolitionist movement, which led to the Emancipation Proclamation and the women's suffrage movement.

(B) Each school district shall require that, during Celebrate Freedom Week or other week of instruction prescribed under subparagraph (A) of this paragraph, students in Grades 3-12 study and recite the following text: "We hold these Truths to be self-evident, that all Men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the Pursuit of Happiness--That to secure these Rights, Governments are instituted among Men, deriving their just Powers from the Consent of the Governed."

(c) Knowledge and skills.

(1) Economics. The student understands the concepts of scarcity and opportunity costs. The student is expected to:

(A) explain why scarcity and choice are basic economic problems faced by every society;

(B) describe how societies answer the basic economic questions;

(C) describe the economic factors of production; and

(D) interpret a production-possibilities curve and explain the concepts of opportunity costs and scarcity.

(2) Economics. The student understands the interaction of supply, demand, and price. The student is expected to:

(A) understand the effect of changes in price on the quantity demanded and quantity supplied;

(B) identify the non-price determinants that create changes in supply and demand, which result in a new equilibrium price; and

(C) interpret a supply-and-demand graph using supply-and-demand schedules.

(3) Economics. The student understands the reasons for international trade and its importance to the United States and the global economy. The student is expected to:

(A) explain the concepts of absolute and comparative advantages;

(B) apply the concept of comparative advantage to explain why and how countries trade; and

(C) analyze the impact of U.S. imports and exports on the United States and its trading partners.

(4) Economics. The student understands the issues of free trade and the effects of trade barriers. The student is expected to:

(A) compare the effects of free trade and trade barriers on economic activities;

(B) evaluate the benefits and costs of participation in international free-trade agreements; and

(C) analyze the effect of changes in exchange rates on imports and exports.

(5) Economics. The student understands free enterprise (capitalist, free market), socialist, and communist economic systems. The student is expected to:

(A) describe the basic characteristics of economic systems, including property rights, incentives, economic freedom, competition, and the role of government;

(B) compare the free enterprise (capitalist, free market) system, socialism, and communism using the basic characteristics of economic systems;

(C) examine current examples of free enterprise (capitalist, free market), socialist, and communist economic systems;

(D) understand that the terms free enterprise, free market, and capitalism are synonymous terms to describe the U.S. economic system; and

(E) analyze the importance of various economic philosophers, including John Maynard Keynes, Karl Marx, and Adam Smith, and their impact on the U.S. free enterprise (capitalist, free market) system.

(6) Economics. The student understands the basic characteristics and benefits of a free enterprise system. The student is expected to:

(A) explain the basic characteristics of the U.S. free enterprise system, including private property, incentives, economic freedom, competition, and the limited role of government;

(B) explain the benefits of the U.S. free enterprise system, including individual freedom of consumers and producers, variety of goods, responsive prices, investment opportunities, and the creation of wealth;

(C) analyze recent changes in the basic characteristics of the U.S. economy; and

(D) analyze the costs and benefits of U. S. economic policies related to the economic goals of economic growth, stability, full employment, freedom, security, equity (equal opportunity versus equal outcome), and efficiency.

(7) Economics. The student understands the right to own, use, and dispose of private property. The student is expected to:

(A) analyze the cost and benefits of the purchase, use, or disposal of personal and business property; and

(B) identify and evaluate examples of restrictions that the government places on the use of business and individual property.

(8) Economics. The student understands the circular-flow model of the economy. The student is expected to:

(A) interpret the roles of resource owners and firms in a circular-flow model of the economy and provide real-world examples to illustrate elements of the model;

(B) explain how government actions affect the circular-flow model; and

(C) explain how the circular-flow model is affected by the rest of the world.

(9) Economics. The student understands types of market structures. The student is expected to:

(A) describe characteristics and give examples of pure competition, monopolistic competition, oligopoly, and monopoly; and

(B) identify and evaluate ordinances and regulations that apply to the establishment and operation of various types of businesses.

(10) Economics. The student understands key economic measurements. The student is expected to:

(A) interpret economic data, including unemployment rate, gross domestic product, gross domestic product per capita as a measure of wealth, and rate of inflation; and

(B) analyze business cycles using key economic indicators.

(11) Economics. The student understands key components of economic growth. The student is expected to:

(A) analyze how productivity relates to growth;

(B) analyze how technology relates to growth; and

(C) analyze how trade relates to growth.

(12) Economics. The student understands the role of money in an economy. The student is expected to:

(A) describe the functions of money;

(B) describe the characteristics of money;

(C) analyze the costs and benefits of commodity money, fiat money, and representative money; and

(D) examine the positive and negative aspects of barter, currency, credit cards, and debit cards.

(13) Economics. The student understands the role of the Federal Reserve System in establishing monetary policy. The student is expected to:

(A) explain the structure of the Federal Reserve System;

(B) analyze the three basic tools used to implement U.S. monetary policy, including reserve requirement, the discount rate and the federal funds rate target, and open market operations; and

(C) explain how the actions of the Federal Reserve System affect the nation's money supply.

(14) Economics. The student understands the role that the government plays in the U.S. free enterprise (capitalist, free market) system. The student is expected to:

(A) identify economic concepts in the U.S. Constitution, including property rights and taxation;

(B) describe the role of government in the U.S. free enterprise (capitalist, free market) system and the changes in that role over time; and

(C) evaluate government rules and regulations in the U.S. free enterprise (capitalist, free market) system.

(15) Economics. The student understands the economic impact of fiscal policy decisions at the local, state, and national levels. The student is expected to:

(A) identify types of taxes at the local, state, and national levels and the economic importance of each;

(B) analyze the categories of revenues and expenditures in the U.S. federal budget; and

(C) analyze the impact of fiscal policy decisions on the economy.

(16) Personal financial literacy. The student understands types of business ownership. The student is expected to:

(A) explain the characteristics of sole proprietorships, partnerships, and corporations;

(B) analyze the advantages and disadvantages of sole proprietorships, partnerships, and corporations;

(C) analyze the economic rights and responsibilities of businesses, including those involved in starting a small business; and

(D) explain how corporations raise money through stocks and bonds.

(17) Personal financial literacy. The student understands the role of financial markets/institutions in saving, borrowing, and capital formation. The student is expected to:

(A) explain the functions of financial institutions and how they affect households and businesses;

(B) explain how the amount of savings in an economy is the basis of capital formation;

(C) analyze the role of interest and risk in allocating savings to its most productive use; and

(D) examine the types of accounts available to consumers from financial institutions and the risks, monetary costs, and benefits of maintaining these accounts.

(18) Personal financial literacy. The student understands the role of individuals in financial markets. The student is expected to:

(A) assess ways to be a wise investor in the stock market and in other personal investment options;

(B) explain how to begin a savings program;

(C) examine investment options available in a personal retirement plan;

(D) demonstrate how to maintain a checking account, including balancing a checkbook or reconciling a bank statement;

(E) identify the types of loans available to consumers;

(F) explain the responsibilities and obligations of borrowing money; and

(G) develop strategies to become a low-risk borrower by improving one's personal credit score.

(19) Personal financial literacy. The student applies critical-thinking skills to analyze the costs and benefits of personal financial decisions. The student is expected to:

(A) examine ways to avoid and eliminate credit card debt;

(B) evaluate the costs and benefits of declaring personal bankruptcy;

(C) evaluate the costs and benefits of buying insurance; and

(D) evaluate the costs and benefits of charitable giving.

(20) Personal financial literacy. The student understands how to provide for basic needs while living within a budget. The student is expected to:

(A) evaluate the costs and benefits of renting a home;

(B) evaluate the costs and benefits of buying a home; and

(C) assess the financial aspects of making the transition from renting to home ownership.

(21) Social studies skills. The student applies critical-thinking skills to organize and use information acquired from a variety of valid sources, including electronic technology. The student is expected to:

(A) analyze economic information by sequencing, categorizing, identifying cause-and-effect relationships, comparing, contrasting, finding the main idea, summarizing, making generalizations and predictions, and drawing inferences and conclusions;

(B) create economic models, including production-possibilities curves, circular-flow charts, and supply-and-demand graphs, to analyze economic concepts or issues;

(C) explain a point of view on an economic issue;

(D) analyze and evaluate the validity of economic information from primary and secondary sources for bias, propaganda, point of view, and frame of reference;

(E) evaluate economic data using charts, tables, graphs, and maps; and

(F) use appropriate mathematical skills to interpret economic information.

(22) Social studies skills. The student communicates in written, oral, and visual forms. The student is expected to:

(A) use economic-related terminology correctly;

(B) use standard grammar, spelling, sentence structure, and punctuation;

(C) transfer information from one medium to another, including written to visual and statistical to written or visual, using computer software as appropriate;

(D) create written, oral, and visual presentations of economic information; and

(E) attribute ideas and information to source materials and authors.

(23) Social studies skills. The student uses problem-solving and decision-making skills, working independently and with others, in a variety of settings. The student is expected to:

(A) use a problem-solving process to identify a problem, gather information, list and consider options, consider advantages and disadvantages, choose and implement a solution, and evaluate the effectiveness of the solution; and

(B) use a decision-making process to identify a situation that requires a decision, gather information, identify options, predict consequences, and take action to implement a decision.