



Education, Early
Learning and Culture
English Curriculum

Prince Edward Island Economics Support Document

Social Studies

Introductory
Economics
ECO621A

CURRICULUM



2017

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Overview of Support Document

This document was designed to support the instruction and formative assessment of the Introductory Economics ECO621A curriculum. The secondary business curriculum leader at the Department of Education, Early Learning and Culture will continue to work with teachers and ensure this document reflects current best practices.

The learning experiences and formative assessment tools in this document are provided as samples that relate to each of the specific curriculum outcomes (SCOs). Teachers can tailor these documents to suit the specific learning experiences they design.

Learning experiences and formative assessment exercises should always align with SCOs.

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Unit 1: Introduction to Economics

SCO 1.1 analyse the fundamental concepts and purpose of economics.

SCO 1.2 analyse the roots and characteristics of various economic systems.

Title	Explanation
ECONO: Find Someone Who ...	This is a diagnostic assessment used to gauge students' readiness to acquire the knowledge and skills in ECO621A. This worksheet was adapted from one created by Karen Sheppard from the University of Toronto.
Economics in the News	This two-page document can serve as a template for students to complete when reading about current events. By writing and thinking about their current event, students will better understand the news story and be in a better position to share the story with the class. These worksheets were adapted from a Newfoundland curriculum document.
Forms of Business Enterprise	This worksheet can be used as an organizer to help students to distinguish among various forms of business enterprises.
A Morning with Mr. Peabody	This exercise provides students with a realistic story that relates to scarce resources, choices, and opportunity cost. This worksheet was adapted from one created by Karen Sheppard from the University of Toronto.
Choice/Limited Resources/ Opportunity Cost	Students can extend their understanding of the fundamental economic principles by completing this worksheet. This activity pushes students to personally reflect on their choices, limited resources, and the opportunity cost of their decisions.
Production Possibility Curve	This is a graphing exercise that asks students to create a production possibility curve. Students are asked to analyse the curve and various scenarios that will help them interpret the curve.
Introduction to Economics— Matching	This exercise provides students with popular terminology used in economics. Students must match the vocabulary terms with the best definition.
Economic Goals	Students are asked to match various economic goals to the proper explanation. Students are then asked to think about these economic goals at a deeper level.
Economics and Careers	Students can use this worksheet to examine various careers that have a focus on economic skills and knowledge. Students can access career information by looking on the Government of Canada Job Bank website and clicking on Explore Careers.
Economic Systems	This worksheet can be used as an organizer to help students distinguish among the various economic systems.
Market Economy vs. Command Economy	This two page simulation pushes students to think deeply about the implications of a market economy and a command economy.
Canada's Economic System	Students will take on the role of a member of a diplomatic mission that will be traveling to a newly formed country. The country is considering adopting a mixed market economy similar to Canada's, so students need to provide information on Canada's economic system.
Country Profile	Students can examine the economic system of a country of their choice. The analysis should reflect the criteria listed in the instructions.

E	C	O	N	O
<p>... knows the difference between a need and a want</p> <p>1st Name: _____ last: _____</p>	<p>... has shopped at a department store in the last week</p> <p>1st Name: _____ last: _____</p>	<p>... has invested in the stock market</p> <p>1st Name: _____ last: _____</p>	<p>... filed an income tax return & received a refund</p> <p>1st Name: _____ last: _____</p>	<p>... can state one recent consumer trend</p> <p>1st Name: _____ last: _____</p>
<p>... can name the current federal finance minister</p> <p>1st Name: _____ last: _____</p>	<p>... can name a franchise</p> <p>1st Name: _____ last: _____</p>	<p>... thinks they would be a successful business person</p> <p>1st Name: _____ last: _____</p>	<p>... knows the decade of the Great Depression</p> <p>1st Name: _____ last: _____</p>	<p>... can name a Canadian business newspaper</p> <p>1st Name: _____ last: _____</p>
<p>... can name 2 properties on the game Monopoly</p> <p>1st Name: _____ last: _____</p>	<p>... can name one function of the Bank of Canada</p> <p>1st Name: _____ last: _____</p>	<p><u>Economics</u> FIND SOMEONE WHO ...</p> 	<p>... owns, or knows someone who owns, a Canada Savings Bond</p> <p>1st Name: _____ last: _____</p>	<p>... can ID one non-profit organization</p> <p>1st Name: _____ last: _____</p>
<p>... can list three natural resources</p> <p>1st Name: _____ last: _____</p>	<p>... has seen a movie with an economic theme</p> <p>1st Name: _____ last: _____</p>	<p>... knows an entrepreneur</p> <p>1st Name: _____ last: _____</p>	<p>... knows what TSE stands for</p> <p>1st Name: _____ last: _____</p>	<p>... will buy lunch or dinner today</p> <p>1st Name: _____ last: _____</p>
<p>... knows Canada's biggest trading partner</p> <p>1st Name: _____ last: _____</p>	<p>... can name a product whose price fluctuates</p> <p>1st Name: _____ last: _____</p>	<p>... owns an asset valued over \$500</p> <p>1st Name: _____ last: _____</p>	<p>... can state what GDP stands for</p> <p>1st Name: _____ last: _____</p>	<p>... keeps a personal budget</p> <p>1st Name: _____ last: _____</p>

Economics in the News (1/2)

Title/Headline:

Source:

Date:

This article is about ...

The main point of this article is ...

Provide information on _____ of the following:

What caused the events, situation, or outcome in this article ...

The article connects to another item in the news, topic we have discussed in the course, or situation I am familiar with ...

Economics in the News

(2/2)

After reading the article, I thought about ...

The lessons that can be learned from this article are ...

What impact is this person, business, decision or situation having on the greater community?

This article is important because ...

Instructions – Distinguish among structure, governance, raising funds, ease of dissolution/continuity, expenses, decision-making, liability, and profits of each form of business enterprise. Provide examples of each.

Forms of Business Enterprise	
Sole Proprietorship	
Partnership	
Corporation	
Co-operative	
Public Entity	

A Morning with Mr. Peabody

Carefully read this story and then answer the accompanying questions.

Mr. Peabody woke up late for work. He only had 25 minutes before he had to leave his house. He did not have time to shower and eat breakfast, so he just jumped in the shower, got dressed, and ran out the door. Mr. Peabody made it to work on time, but he was very hungry. He reached into his wallet and found he only had \$5.00. As he was walking to the vending machine, he ran into Kathy, a co-worker. She was collecting donations to raise money for cancer research, and Mr. Peabody had promised to make a donation. This was the final day she was collecting, so Mr. Peabody gave away his last \$5.00. Mr. Peabody then went back to his computer. He began to work, and all of a sudden his computer screen froze. This usually happens about once a week. Mr. Peabody does not understand computers very well, so he phoned computer services to help him with the problem. He could probably figure out the issue, but he thought it was easier to just ask for help. At lunch, Mr. Peabody borrowed a few dollars from a friend, and they went to a local restaurant. Mr. Peabody could not decide if he wanted the hamburger or the chicken fingers. He picked the burger and sat down to enjoy his lunch.

Record your answers to the questions in the table below.

- a) Identify the scarce resources in the story.
- b) Given the scarce resources, what choices did Mr. Peabody make?
- c) What was the opportunity cost of each choice?

Scarce Resource	Choice Made	Opportunity Cost
1. Time	Chose to have a shower.	Lost the opportunity to eat breakfast.
2.		
3.		
4.		

Choice/Limited Resources/Opportunity Cost

It is Saturday night, and you have a large assignment due on Monday morning for your economics course. You blocked off a few hours tonight because you are busy all day tomorrow. The assignment will require several hours of work, but you think you can finish it tonight if you work hard. Just as you are sitting down to begin, the phone rings. Your best friend is pleading with you to go to a party. You stop to consider your choices.

What decision-making process do you follow to make a choice?

Discuss some of the similarities and differences related to how you came to your decision and how other students in the class came to theirs.

What are the limited resources involved?

What is the opportunity cost?

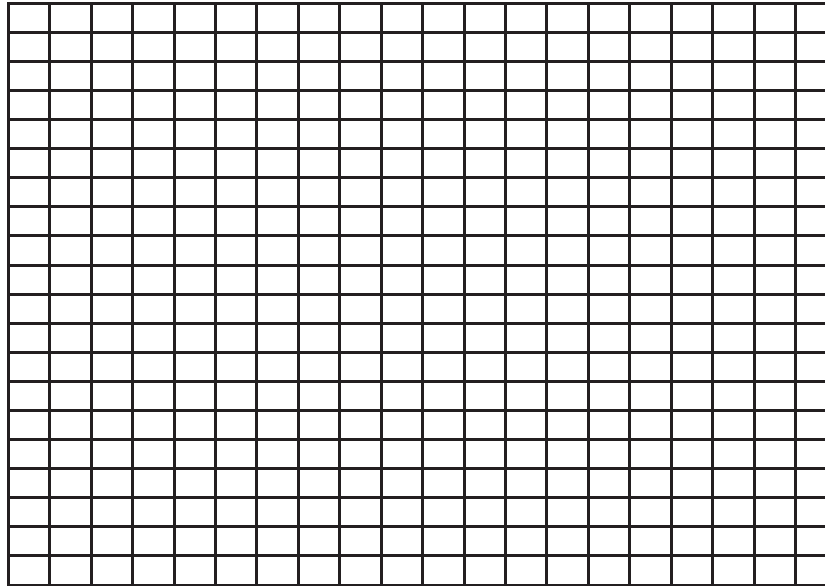
Consider the marginal benefit and marginal cost of your decision. Was the marginal benefit greater than the marginal cost?

If so, explain how.

Production Possibilities Schedule

1. Graph a production possibilities curve with the following data. Place widgets on the vertical axis and gadgets on the horizontal axis.

Production Scenario	Widgets	Gadgets
A	50	0
B	45	2
C	35	4
D	20	6
E	0	8



2. What is the opportunity cost of gadgets in terms of widgets when the economy moves from point A to B? Compare that to other scenarios. Why does the opportunity cost continue to grow?

3. Can the economy produce 35 widgets and 2 gadgets? Plot this point on your graph. Are resources being used effectively at this point?

4. Can the economy produce 20 widgets and 8 gadgets? Why or why not? Plot this point on your graph.

Introduction to Economics

Matching

Match with the best answer

/10

- | | |
|------------------------------|---|
| 1. _____ Economics | A. There is a limited amount of resources that can be used to produce a limited amount of goods and services to meet unlimited human wants. |
| 2. _____ Opportunity Cost | B. The study of economic facts and why the economy operates as it does. |
| 3. _____ Scarcity | C. The study of how the economy ought to operate. Here, opinion and value judgments are common. |
| 4. _____ Microeconomics | D. Means “large economics” and takes a wide-ranging view of the economy by studying the behaviour of economic sectors. |
| 5. _____ Macroeconomics | E. The study of human activity involved in using scarce resources to satisfy wants. |
| 6. _____ Positive Economics | F. The benefit lost by doing one thing rather than another. |
| 7. _____ Normative Economics | G. Physiological, personal, or socio-economic requirements necessary for you to function and live. |
| 8. _____ Wants | H. Means “small economics” and focuses on the behaviour of individual participants in various markets, namely people and businesses. |
| 9. _____ Resources | I. These are used to produce goods and services and include labour, natural resources, and capital goods. |
| 10. _____ Needs | J. Goods and services that are not necessary but that we desire or wish for. |

Economic Goals

- | | |
|---------------------------------------|--|
| 1. _____ Income Equity | A. Government policy-makers try to minimize the country's rate of inflation, which is a rise in the general level of prices. |
| 2. _____ Price Stability | B. Economic activity must be carried out so that the quality of our physical environment can be sustained without significant harm. |
| 3. _____ Full Employment | C. This goal is achieved when a country's total output is distributed fairly. When defining this goal, it can become very controversial. |
| 4. _____ Viable Balance of Payments | D. This goal helps to raise the average standard of living for citizens. It is depicted by an outward shift in the production possibilities curve. |
| 5. _____ Economic Growth | E. This goal relates to the need for an economy to generate the highest benefit from its scarce resources. |
| 6. _____ Economic Efficiency | F. It is important for a county's imports and exports to roughly balance one another. |
| 7. _____ Environmental Sustainability | G. The government tries to minimize involuntary unemployment in the labour force. |
8. Review the above economic goals. Are these goals comprehensive, or can you think of some additional goals that should be added? How can these goals be both complementary and conflicting?

Economics and Careers

Examine various careers with a focus on economic skills and knowledge. When you find a career, provide the name of the occupation on the left and information about the job on the right.

	Job Duties:	Job Skills/Education:
	Job Opportunities:	Wages/Employment Potential:
	Other:	
	Job Duties:	Job Skills/Education:
	Job Opportunities:	Wages/Employment Potential:
	Other:	
	Job Duties:	Job Skills/Education:
	Job Opportunities:	Wages/Employment Potential:
	Other:	
	Job Duties:	Job Skills/Education:
	Job Opportunities:	Wages/Employment Potential:
	Other:	

Economic Systems				
	Key Features	Strengths/Advantages	Challenges/Disadvantages	Examples
Traditional				
Command				
Market				
Mixed				

Market Economy vs. Command Economy

(1/2)

You are involved in a simulation that involves two communities: Community A and Community B. Both communities have the same population, resources, standard of living, and technology. A board of directors composed of several high-profile members of Community A controls the development and allocation of goods and services. In Community B, market forces define the mix of products and services that are developed and provided to the population. Identify areas that should be regulated by the board of directors and indicate how these same concerns would evolve in a market-driven setting. Comment on the development of each community in regards to taxes, employment, educational institutions, construction, medical services, law enforcement, and the overall impact on the economy.

Community A	Community B
Areas that should be regulated by the board:	How will these same concerns be met in a market-driving setting?
Taxes:	Taxes:
Employment:	Employment:

Market Economy vs. Command Economy (2/2)

Education:	Education:
Construction:	Construction:
Medical Services:	Medical Services:
Law Enforcement:	Law Enforcement:
Overall Impact to the Society:	Overall Impact to the Society:

Canada's Economic System

You are a member of a diplomatic mission that will be travelling to a newly formed country. The country is considering adopting a mixed market economy similar to Canada's, and they want you to present an overview of Canada's economic system. You will need to clearly communicate how Canada answers the three economic questions and explain Canada's economic goals. You will also need to provide a list of goods and services produced by government and private business and be able to discuss the pros and cons of government involvement versus private production.

Canada's answer to the three economic questions:

Canada's economic goals:

Goods and services produced by government and by industry:

Pros and cons of government involvement versus private production:

Country Profile

Examine the economic system of a country of your choice. In your analysis, be sure to research and discuss information based on criteria including freedom, human rights, political events, efficiency, growth, equity, and employment. It may also help to examine issues surrounding over-harvesting of resources, labour shortages/surpluses, emerging technologies, climate change, health issues, poverty, and war. The analysis can be done on current information or based on the past economic system of a country.

Country:

Essential Information:

Information on the Economic System:

Unit 2: Microeconomic Concepts

SCO 2.1 analyse factors and interactions significant to demand and supply and to price elasticity of demand and supply.

SCO 2.2 analyse the factors and characteristics significant to market structures.

SCO 2.3 evaluate how saving, investing, and credit decisions impact financial planning.

Title	Explanation
Demand and Supply	This exercise allows students to analyse the impact of various circumstances on demand and supply. Students will need to explain the impact each circumstance has on demand and supply and visually represent the changes by graphing.
Market Structures	This worksheet can be used as an organizer to help students to distinguish among various market structures.
Understanding Credit Products	Students can use this worksheet to identify general information, advantages, and disadvantages of a variety of credit products.
Evaluating Credit Decisions	This is a three-page exercise that puts students in the role of a lending officer at a car dealership. Students will need to think about what questions should be used to gather information and how to interpret the information to make the best decision.
Financial Planning with Mr. Harrison	Students are asked to interpret Mr. Harrison's financial situation and make recommendations based on the limited information they have.
Saving and Investing	This is a matching exercise in which students must match terminology related to saving and investing with the appropriate definition.
Formulas	Common formulas necessary for Unit 2.

Demand and Supply

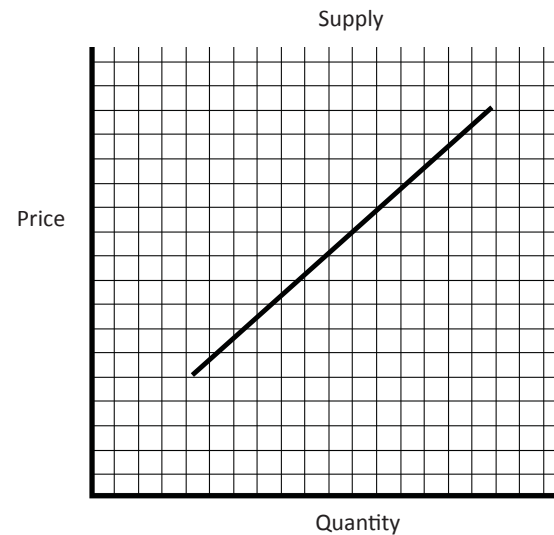
Your boss, a billionaire tycoon, is considering taking over the largest milk supplier in North America. Before he makes his decision, he has asked you to analyse how the following circumstances will impact the demand for milk, given a downward-sloping demand curve:

- A. Milk is proven to have harmful health consequences.
- B. A milk alternative, such as soy milk or almond milk, has been discovered to be much healthier than cow's milk.
- C. Milk has been proven to lower cholesterol.
- D. The price of milk goes up.
- E. The price of orange juice goes up dramatically.
- F. Income is forecasted to increase by 5%.

He has also asked you to analyse how the following circumstances will impact the supply for milk, given an upward-sloping supply curve:

- A. Europe's largest milk producer has decided to enter the North American market.
- B. A rare bacterium contaminates millions of litres of milk in the production process.
- C. Scientists develop a new technology that allows dairy farmers to milk cows twice as fast.
- D. The price of milk goes up.

You will need to graph the various possibilities to illustrate how the changes in demand and supply, and in the quantity demanded and supplied, will take place. You will also need to back up your answers with explanations.



Sort the related criteria under the appropriate market structure	Perfect Competition	Monopolistic Competition	Oligopoly	Monopoly
Number of Firms in the Market: <ul style="list-style-type: none"> • One • A large number • Unlimited • Few, often between 2-12 controlling the majority of the industry 				
Barriers to Entry: <ul style="list-style-type: none"> • None or very little • Very high • High • Low 				
Product Differentiation: <ul style="list-style-type: none"> • A single product that is similar throughout the market • Products vary • Products are similar but not exactly the same • Usually just one product 				
Competition/Price: <ul style="list-style-type: none"> • None/Price maker • Unlimited competition/ Price taker • Several competitors/ Some ability to control their own prices • Competition is fierce/All firms are aware of one another's prices 				

Understanding Credit Products

Debt Product	General Information	Advantages	Disadvantages
Credit Cards			
Credit Lines			
Overdraft			
Fixed Rate Loan			
Variable Rate Loan			
Mortgage		Discuss Advantages and Disadvantages of Renting vs. Buying:	

Evaluating Credit Decisions (1/3)

You work for the finance department of a car dealership. A client who has spoken to the sales staff on several occasions has finally decided to purchase a new car. The sales department has referred the client to you to see if she can qualify for dealer financing. What questions would you need to ask this client before making a decision?

The 5Cs of Credit	Possible Questions <i>Remember, you will likely be asked similar questions when you apply for your first loan.</i>
Character <ul style="list-style-type: none"> • Work history, lifestyle, etc 	
Capacity <ul style="list-style-type: none"> • The Total Debt Service Ratio (TDSR) • $TDSR = \text{Monthly Obligations} / \text{Monthly Gross Pay}$ This should not exceed 0.4 or 40%. A TDSR of .38 means for every dollar earned 38 cents goes to pay monthly obligations. TDSR only includes rent, loans, and heat when calculating monthly obligations. • Requires confirmation/Can you meet the repayment schedule? Co-signer? 	
Collateral <ul style="list-style-type: none"> • Provides incentive to pay the loan and partial recovery if loan goes into default 	
Capital <ul style="list-style-type: none"> • Net Worth (Assets – Liabilities) 	
Credit Report <ul style="list-style-type: none"> • Have they used credit before? How have they managed their credit? Does the information on the credit report match what they've given you? 	

Evaluating Credit Decisions (2/3)

The 5Cs of Credit	Information Gathered
Character <ul style="list-style-type: none"> Work history, lifestyle, etc. 	<ul style="list-style-type: none"> Character: new client, substitute teaching for 1 year, single income household, 2 dependents
Capacity <ul style="list-style-type: none"> The Total Debt Service Ratio (TDSR) TDSR = Monthly Obligations / Monthly Gross Pay This should not exceed 0.4 or 40%. A TDSR of .38 means for every dollar earned 38 cents goes to pay monthly obligations. TDSR only includes rent, loans, and heat when calculating monthly obligations. Requires confirmation/Can you meet the repayment schedule? Co-signer? 	<ul style="list-style-type: none"> Capacity: TDSR is 38.9% (includes new car payments, client has \$250 in the bank)
Collateral <ul style="list-style-type: none"> Provides incentive to pay the loan and partial recovery if loan goes into default 	<ul style="list-style-type: none"> Collateral: She is willing to sign an agreement in which loan default results in the car dealership repossessing the vehicle.
Capital <ul style="list-style-type: none"> Net Worth (Assets – Liabilities) 	<ul style="list-style-type: none"> Net worth: (\$17,000)
Credit Report <ul style="list-style-type: none"> Have they used credit before? How have they managed their credit? Does the information on the credit report match what they've given you? 	<ul style="list-style-type: none"> Credit Report: Shows a few late payments 2 years ago. Shows no collections. Shows the following: Visa: Balance: \$5,250 Limit: \$5,000 Student Loan: \$12,000

Evaluating Credit Decisions (3/3)

Would you grant this client a \$20,000 loan? Why or why not? Back up your decision using the 5Cs of credit.

What suggestions would you give this client to improve her credit situation?

If you decided to deny the loan, what would the client need to do before you would accept the loan application? Can you think of other arrangements that may be more favourable than purchasing a new car?

Financial Planning with Mr. Harrison

Mr. Harrison, a friend of the family, desperately needs your help. He heard that you were learning about financial planning, and he wants you to provide him with some advice regarding his current situation. Based on the information listed below, what recommendations would you have for Mr. Harrison? He wants some detailed suggestions and advice regarding his credit situation and how to improve his savings. Mr. Harrison has a medium tolerance when it comes to investment risk.

Basic Information	Financial Information		
Age	44	Liabilities:	
Marital Status	Single	Mortgage (6%)	\$112,000 (\$700/month)
Dependents	None	Credit Card (19%)	\$12,000 (\$15,000 limit)
Job	Electrician	Credit Line (8%)	\$2,000 (\$20,000 limit)
Salary	\$50,000		
		Assets:	
		House	\$200,000
		Car	\$11,000
		Savings	\$350
Revolving credit products require that interest is paid each month; however, some portion toward principal is typically expected as well.			

Savings and Investing

Match with the best answer.

/15

- | | |
|--|--|
| 1. _____ Why save? | A. Only by doing this can you reach your financial goals. |
| 2. _____ Compounding | B. The borrower promises to repay the principal with interest at some specified time. |
| 3. _____ Why invest? | C. The world's most watched index. |
| 4. _____ The ways to invest | D. The overall behaviour of the market can be learned by watching the performance of this. |
| 5. _____ Debt Securities | E. Putting your money in different types of investments to spread out the risk. |
| 6. _____ Stock Exchange | F. The price of an equity asset that fluctuates due to irrational factors. |
| 7. _____ Stock Exchange Index | G. To accumulate emergency funds, satisfy liquidity needs, and meet your short and long-term goals. |
| 8. _____ Dividend | H. Each investor acquires units in a portfolio with a variety of different securities. |
| 9. _____ Diversification | I. An organized marketplace for buying and selling shares to investors. |
| 10. _____ Market Risk | J. When an investor sells their stocks for a higher price than they originally paid. |
| 11. _____ Dow Jones Industrial Average | K. A debt security with longer-term maturities in which you are loaning money for a specified term for an expected return. |
| 12. _____ Money Market Securities | L. Interest is added to principal. Interest is reinvested to earn more interest. |
| 13. _____ Capital Gains | M. Short-term loans (treasury bills). |
| 14. _____ Bonds | N. The income from a stock. This income is not promised or paid automatically. |
| 15. _____ Mutual Funds | O. Debt (by lending money) and equity (by acquiring ownership) securities. |

Important Formulas

Unit 2

Price Elasticity of Demand (e_d) = $\left(\frac{\Delta Q_d}{\text{average } Q_d} \right) / \left(\frac{\Delta \text{price}}{\text{average price}} \right)$	Total Costs (TC) = Fixed Cost (FC) + Variable Cost (VC)
Price Elasticity of Supply (e_s) = $\left(\frac{\Delta Q_s}{\text{average } Q_s} \right) / \left(\frac{\Delta \text{price}}{\text{average price}} \right)$	Economic Costs = Explicit Costs + Implicit Costs
Average Product = $\frac{\text{Total Product } (q)}{\text{Number of Workers } (L)}$	Economic Profit = Total Revenue – Economic Costs
Marginal Product = $\frac{\text{Change in Total Product } (\Delta q)}{\text{Change in Number of Workers } (\Delta L)}$	Total Revenue (TR) = Price $\times Q_d$
Marginal Cost (MC) = $\frac{\Delta TC}{\Delta q}$	Average Revenue (AR) = $\frac{TR}{q}$
Average Fixed Cost (AFC) = $\frac{FC}{q}$	Marginal Revenue (MR) = $\frac{\Delta TR}{\Delta q}$
Average Variable Cost (AVC) = $\frac{VC}{q}$	Profit Maximization Rule: $\{MR = MC\}$
Average Cost (AC) = $AFC + AVC$	

Unit 3: Macroeconomic Concepts

SCO 3.1 analyse factors and concepts significant to economic indicators and economic fluctuations.

SCO 3.2 demonstrate an understanding of the historic and current roles of money and financial institutions in our society.

SCO 3.3 analyse factors and concepts significant to monetary policy.

SCO 3.4 analyse factors and concepts significant to fiscal policy.

Title	Explanation
Gross Domestic Product	This worksheet will help students understand the concepts associated with GDP and how to calculate GDP.
Phases of the Business Cycle	Students can complete a matching exercise by examining a graph of the business cycle.
Unemployment	This worksheet can be used as an organizer to help students to distinguish among various forms of unemployment.
Inflation	This worksheet will help students understand the concepts associated with inflation.
Banking and Financial Markets	In this simulation, students will need to answer a variety of questions related to Canada's banking system and financial markets.
Monetary Policy	Students will learn about the fundamental concepts of monetary policy by completing this worksheet.
Expansionary/Contractionary Monetary Policy	Students will assume the role of members of the Bank of Canada. They will be tasked with controlling the nation's money supply to achieve full employment and stable prices in the economy. They will need to analyse several situations based on a variety of criteria.
Fiscal Policy	Students will learn about the fundamental concepts of fiscal policy by completing this worksheet.
Expansionary/Contractionary Fiscal Policy	This worksheet presents students with a variety of scenarios. Students will need to decide whether each scenario relates to government expansionary or contractionary fiscal policy.
Government Taxes and Services	Students will need to use this graphic organizer to place both government taxes and government services under their proper headings. Students must then label each tax as progressive, regressive, or proportional; and direct or indirect.
Formulas	Common formulas necessary for Unit 3.

Gross Domestic Product

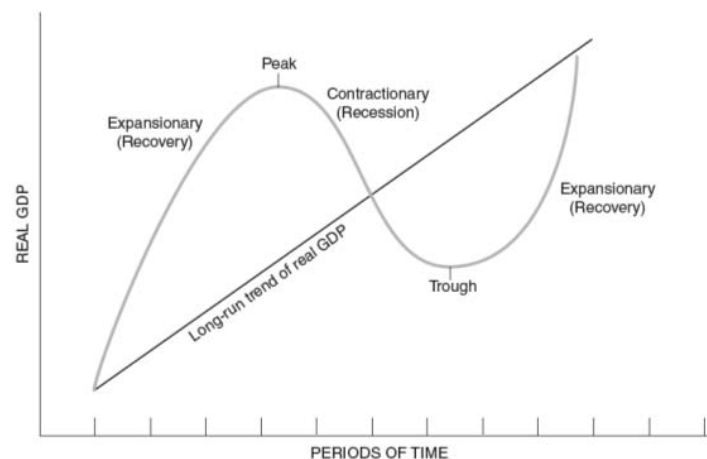
1. Explain the difference between the following:
 - a. GDP and GNP
 - b. Real and Nominal GDP
 - c. Total GDP and Per Capita GDP
 - d. The Income and Expenditure Approach when calculating GDP
2. You are an economist asked to calculate your nation's GDP. Calculate nominal GDP for Year 1 and Year 2 using the expenditure equation: $GDP = C + I + G + (X - M)$. How much did nominal GDP increase from Year 1 to Year 2?

Year 1 Nominal GDP (\$ billion)	
Personal Consumption	100
Gross Investment	425
Government Purchases	400
Net Exports	-25
GDP	

Year 2 Nominal GDP (\$ billion)	
Personal Consumption	105
Gross Investment	427
Government Purchases	425
Net Exports	-12
GDP	

3. Now calculate Year 1 and Year 2 real GDP using a GDP deflator of 102.372 for year 1 and 103.561 for Year 2.
4. How much was nominal GDP overstated in Year 1 and in Year 2?
5. Why is it important to adjust nominal GDP to real GDP to account for inflation?
6. What are the limitations to GDP? What other factors should be considered when determining a country's standard of living?

Phases of the Business Cycle



Place the best term in the proper sentence. Use the image above to support your answers.			
contraction	recession	depression	inflation
peak	business cycle	expansion	decreased unemployment
unemployment	deflation	trough	budgets

1. A sustained rise in the real output of an economy is known as an _____.
2. A sustained fall in the real output of an economy is known as a _____.
3. These rises and falls in real output constitute a pattern known as the _____.
4. The point in the business cycle in which real output is at its highest is known as its _____.
5. A _____ occurs if the reduction in real output is particularly long and harsh, as happened during the early 1930s.
6. A decline in real output that lasts for six months or more is known as a _____.
7. _____: the point in the business cycle at which real output is at its lowest
8. _____ and _____ are some potential effects of a contraction in the economy.
9. _____ and _____ are some potential effects of a period of economic expansion.

Unemployment

Types of Unemployment	Description	Historical or Current Example from the Canadian Economy	Possible Course of Action to Ease Unemployment
Structural Unemployment			
Frictional Unemployment			
Cyclical Unemployment			
Seasonal Unemployment			

State the specific type of unemployment for the following scenarios.

Frictional	Seasonal	Structural	Cyclical
Sarah quits her job to move to Alberta for work.			
Businesses lay off workers because their production has declined.			
Cavendish workers being laid off because of the end of the summer season.			
A plant with 2,000 workers has 500 of them replaced by robots.			
An employee at Burger King quits his job and goes back to school full-time.			
Due to a downturn in the economy, fewer people are buying new cars, thus causing workers in car manufacturers to be laid off.			

Inflation

1. Explain the following terms:

Inflation

Deflation

Hyperinflation

Nominal income

Real income

Consumer price index (CPI)

2. Analyse the possible consequences of inflation and deflation:

3. Label the following scenarios as an inflationary expectation or a deflationary expectation.

- a. High oil prices have led to significant employment opportunities in Alberta and Saskatchewan. Incomes have also risen dramatically.
- b. A recession has hit the country, creating unemployment and negatively impacting the stock market.
- c. The Bank of Canada lowers the interest rate to 1% and decides to infuse money into the economy by buying bonds.
- d. The housing market has been in decline. The prices of homes continue to fall. Potential buyers wait for the market to bottom out before considering purchasing their houses well as furniture and other related products.

Banking and Financial Markets

A panel from several developed countries from around the world has sent representatives to discuss and debate best banking practices. You and your team will be representing Canada and the Canadian banking system. You have been asked to focus on the following areas:

Provide an overview of your country's financial system. Include the forms of your money supply and the basic functions of the Canadian banking system.

Discuss your country's banking system (include the fractional reserve principle and the deposit multiplier).

Explain the strengths of your financial markets.

Monetary Policy

1. Explain monetary policy.
2. Explain the roles of the Bank of Canada.
 - a. Issue of currency:
 - b. Acts as the government's bank
 - c. Manages reserves of foreign currencies:
 - d. Acts as auditor, inspector, and lender to commercial banks:
 - e. Regulates money supply:
3. Explain the difference between expansionary and contractionary monetary policy to promote price stability, full employment, and economic growth.
4. Describe how changes in interest rates impact individuals and businesses.

Expansionary/Contractionary Monetary Policy

Your group will assume the role of members of the Bank of Canada. You are tasked with controlling the nation's money supply to achieve full employment and stable prices in the economy. Given the following situations, identify and list the most likely problems. Consider spending, employment, and average prices under the different scenarios. What monetary policy actions do you propose with each situation? How do you expect your actions will solve the problems?

The national economy is sluggish as a result of tight (contractionary) monetary policies over the past two years. What do you do?

The economy is growing rapidly. Many economists believe there will be shortages of skilled labour and key industrial inputs, such as steel and electric power. What do you do?

The economy is experiencing 12% inflation over the next few years. What do you do?

Fiscal Policy

1. Explain fiscal policy.
2. Explain the differences between the following terms:
 - a. Budget deficit
 - b. Budget surplus
 - c. Balanced budget
 - d. National (government) debt
3. Distinguish between the government's use of expansionary fiscal policy and contractionary fiscal policy to promote price stability, full employment, and economic growth.
4. Considering the following scenario, and examine the implications and complexity of government budgetary decisions. The country has record levels of national debt and has promised to balance the budget. The country's unemployment rate is at an all-time high. Most available jobs involve low skilled labour. This has led to higher levels of poverty and only modest growth. Businesses and low/middle income families have been struggling since tax hikes were implemented two years ago.

Expansionary/Contractionary Fiscal Policy

Determine whether each of the following scenarios relates to government following expansionary or contractionary fiscal policy. Explain the reasons for your choice.

Scenario	Expansionary/Contractionary	Rationale
The government cuts business and personal income taxes, and increases its own spending.		
The government increases personal income tax and corporate tax. Government spending stays the same.		
Government spending goes up while taxes remain the same.		
The government reduces the wages of its employees, while raising taxes for consumers and business. Other government spending remains the same.		

Government Taxes and Services

Below is a list of government taxes and government services. Place both the taxes and the services under their proper heading. There may be some overlap depending on the context. Label each tax as progressive, regressive, or proportional; and direct or indirect.

Government Tax: Income Tax Tobacco Tax	Gasoline and Fuel Tax Corporate Tax	Property Tax Harmonized Sales Tax
Federal Taxes	Provincial Taxes	Municipal Taxes
Government Services: National Defense Fire Services RCMP Roads and Highways Canada Pension Plan Snow Removal	Old Age Security Garbage and Recycling Social Assistance Water and Sewers Immigration Fire and Ambulance	Hospitals Airports Family Law Libraries Education Crown Corporations (CBC, Canada Post)
Federal Services	Provincial Services	Municipal Services

Important Formulas

Unit 3

$$GDP = C + G + I + (X - M)$$

$$\text{Per Capita GDP} = \frac{GDP}{\text{Population}}$$

$$\text{Real GDP Growth Rate} = \frac{GDP \text{ Year 2} - GDP \text{ Year 1}}{GDP \text{ Year 1}} \times 100\%$$

$$\text{Real GDP} = \frac{\text{Nominal GDP}}{\text{GDP Deflator (in hundredths)}}$$

$$CPI = \frac{\text{Year 2 Basket Cost} - \text{Base Year Basket Cost}}{\text{Base Year Basket Cost}} \times 100\%$$

$$\text{Real Income} = \frac{\text{Nominal Income}}{CPI \text{ (in hundredths)}}$$

$$\text{Participation Rate} = \frac{\text{Labour Force}}{\text{Labour Force Population}} \times 100\%$$

$$\text{Unemployment Rate} = \frac{\text{Number Unemployed}}{\text{Labour Force}} \times 100\%$$

$$\text{Real Interest Rate} = \text{Nominal Interest Rate} - \text{Inflation Rate}$$

Unit 4: Global Economic Concepts

SCO 4.1 evaluate the factors and concepts significant to foreign trade.

Title	Explanation
Global Economic Concepts	Students will need to match the terminology related to global economic concepts to the proper definition.
Global Economics Sentence Competition	Students will be presented with a number of sentences. Each sentence will have two options related to key words. Students need to choose the proper word.
Comparative and Absolute Advantage	This worksheet allows students to answer questions related to opportunity cost, comparative advantage, and absolute advantage. Using the output method, students will work through this worksheet using only two countries and two products.
Free Trade vs. Trade Protection Simulation	Given the information from the scenario, students must take on the role of their stakeholder and come up with arguments for or against free trade/trade protection.

Global Economic Concepts

Match with the best answer.

/15

- | | |
|------------------------------------|--|
| 1. _____ absolute advantage | A. The trend of growing foreign trade and investment and the spread of international businesses and markets. |
| 2. _____ comparative advantage | B. Another type of trade barrier is a(n) _____ , or a limit on the amount of a particular good that may be legally imported. |
| 3. _____ protectionism | C. Government intervention policies that protect domestic markets from international competition. |
| 4. _____ import quota | D. A group of European countries that have agreed to co-operate on matters of economics and policy. |
| 5. _____ subsidy | E. A country has a(n) _____ in the production of a good if, given an equal quality of resources, they can produce more of the good than other countries. |
| 6. _____ current account | F. A(n) _____ records the value of all goods and services exported from a country minus the value of all goods and services imported from outside the country. |
| 7. _____ capital account | G. It is a forum for governments to negotiate trade agreements. It is a place for governments to settle trade disputes. It operates a system of trade rules. Essentially, it is a place where member governments try to sort out the trade problems they face with each other. |
| 8. _____ tariff | H. The trade partner with the lowest opportunity cost for a given product has the _____. |
| 9. _____ balance of trade | I. A(n) _____ can prohibit the exchange of any single good, or it can completely prohibit trade with a whole country. |
| 10. _____ globalization | J. A pact among Canada, the United States, and Mexico to form a free trade area. |
| 11. _____ World Trade Organization | K. The summary of all international transactions associated with current economic activity in Canada and involving Canadian dollars. |
| 12. _____ European | L. It can be flexible or fixed, but generally it measures the price of one nation's currency in terms of Union another nation's currency. |
| 13. _____ embargo | M. With a(n) _____ , the government makes payments to a local supplier to reduce the production costs of the supplier. Lowered production costs should equate to lower prices, thereby making the local supplier more competitive. |
| 14. _____ exchange rate | N. A tax on imported goods. |
| 15. _____ NAFTA | O. The summary of international transfers of intangible assets and savings involving Canadian dollars. |

Global Economics Sentence Completion

Circle the word or phrase that best completes each statement below.

1. Country X has stated that only 1,000 barrels of orange juice can be imported from Country Z this year. Country X is restricting international trade with a(n) (EMBARGO, QUOTA).
2. A trade (SURPLUS, DEFICIT) occurs when imports exceed exports.
3. Tariffs are imposed on (IMPORTS, EXPORTS). When tariffs are imposed on goods, the result is that consumers are (MORE, LESS) likely to buy the domestic substitute.
4. When exports exceed imports, the balance of trade is (FAVOURABLE, UNFAVOURABLE).
5. If Country W states that no trade whatsoever shall be conducted with Country X, Country W is imposing an (EMBARGO, IMPORT QUOTA).
6. The law of comparative advantage states that output is (MAXIMIZED, MINIMIZED) when producers specialize in what they can make at a (LOWER, HIGHER) opportunity cost than can other producers.
7. The case can be made for (PROTECTIONISM, FREE TRADE) in order to preserve jobs, protect infant industries, and correct a trade imbalance.
8. (ADMINISTRATIVE BARRIERS, SUBSIDIES) are payments by a government to (DOMESTIC, FOREIGN) exporters so that they can reduce the prices they charge in foreign markets.

Comparative and Absolute Advantage

Output per hour		
	U.S.	Japan
Cars	12	10
Computers	4	6
	1 car = $\frac{1}{3}$ computer	1 car = $\frac{3}{5}$ computer
	1 computer = 3 cars	1 computer = $\frac{5}{3}$

1. What is the U.S.'s opportunity cost of making cars?
2. What is Japan's opportunity cost of making cars?
3. What is the U.S.'s opportunity cost of making computers?
4. What is Japan's opportunity cost of making computers?
5. Which country has an absolute advantage in producing cars?
6. Which country has an absolute advantage in producing computers?
7. Who has the comparative advantage in cars?
8. Who has the comparative advantage in computers?
9. Which country should produce which good and why? Base your answers only on the information above and on comparative advantage considerations.

Free Trade vs. Trade Protection Simulation

The Government of Canada is considering forming a trade agreement with Country X. The government is interested in creating this relationship because Country X has an absolute advantage in the production of both fish and potatoes. The country can produce one pound of high-grade potatoes for a much lower cost compared to Canada. Also, several years ago, Country X invested millions of dollars into fishing farms, and now has an abundance of fish in the wild and commercially in tanks. Canada has an absolute advantage in the manufacturing and production of automobiles, a product Country X does not produce and greatly requires. It is important to understand the benefits and drawbacks of a trade agreement for each of the following stakeholders. You will assume the role of one of the stakeholders in a simulated activity. Each stakeholder will need time to create arguments that reflect his/her viewpoint. Compromises and conciliatory positions will usually have to be found.

Stakeholders:

Ontario Automotive Worker	Average Canadian Consumer	P.E.I. Potato Farmer
Newfoundland Fisherman	Canadian Consumers' Association	Government Representative

Which stakeholder are you? _____

Make a list of your arguments either supporting or opposing this agreement. You will essentially be arguing for or against trade protection or free trade. Some stakeholders may want to remain neutral and should therefore create arguments for both sides. Be sure to provide evidence that supports your arguments.

Unit 5: Student Inquiry on Economic Issues

SCO 5.1 produce a project on an area of interest in economics by following the inquiry process.

Title	Explanation
Student Inquiry Suggested Topics	This is a list of broad categories of topics to assist students with an idea for their inquiry project.

Student Inquiry - Suggested Topics

PEI Economy

- factors that have influenced economic development of PEI
- economic impact of the major industries of PEI
- role of government in the development of the economy of PEI
- potential areas of future economic development
- relationship of PEI to the Canadian economy and global economy
- the advantages and disadvantages of developing a specific resource of PEI

Labour Market

- the implications of escalating salaries and salary caps for professional sports
- the effectiveness of minimum wage laws
- the importance of career education in relation to the changing dynamics of the labour market
- the implication of post-secondary education (e.g., how to finance, cost versus benefit)

Poverty and Regional Disparities

- basic causes of poverty and programs designed to eliminate it
- causes and solutions of regional disparity and unequal distribution of income
- the concept of the poverty line and the characteristics of the groups of stakeholders that fall below it
- the changes in average real income, its composition, and its distribution in the Canadian economy over the last decade
- comparison of the economic well-being of Canadian stakeholders versus people from another country

Growth, Sustainability and Trade

- costs and benefits of economic development
- the role of individuals, businesses, and government with respect to sustainability
- the impact of technology in shaping the global marketplace
- evaluation of economic progress in a developing country
- the barriers and restrictions on domestic and international trade

Other Topics

- the economic rights guaranteed to Canadian citizens by law
- the effectiveness of a specific example of direct government intervention in a market
- potential issues related to government expenditures and taxation
- how events in other parts of the world affect Canada's economy and the well-being of different groups of Canadian stakeholders
- exploration of the major ideas and theories of prominent economists (e.g., Adam Smith, David Ricardo, Thomas Malthus, Karl Marx, John Maynard Keynes) in the context of the economic issues and challenges of their times