National Unemployment Rate Rising
Rate of Inflation Falling

Given the conditions presented in the headline above, what is likely to happen to spending in the economy? Explain your answer.

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What is the relationship between spending and output in this situation?

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What is likely to happen to real gross domestic product as a result of the relationship between spending and output?

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### Scoring Guide

<table>
<thead>
<tr>
<th>Score &amp; Description</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Superior</strong></td>
<td>The response states the following information: (A) Spending would decrease because income is falling; (B) Because spending is decreasing businesses will cut output; and (C) This relationship will lead to a reduction in real gross domestic product.</td>
</tr>
<tr>
<td><strong>Satisfactory</strong></td>
<td>Response answers two of three parts.</td>
</tr>
<tr>
<td><strong>Minimal</strong></td>
<td>Response answers one of three parts.</td>
</tr>
<tr>
<td><strong>Incorrect</strong></td>
<td>Response is incorrect.</td>
</tr>
</tbody>
</table>
Superior - Student Response

Given the conditions presented in the headline above, what is likely to happen to spending in the economy? Explain your answer.

With fewer people working, there is less money available for consumers to spend. Therefore, demand begins to fall, and inflation decreases.

What is the relationship between spending and output in this situation?

When less money is spent on goods, production of those goods decreases.

What is likely to happen to real gross domestic product as a result of the relationship between spending and output?

The GDP will fall because of falling supply and demand.

Given the conditions presented in the headline above, what is likely to happen to spending in the economy? Explain your answer.

The amount of money spent in the economy will drop because less people will have money to spend on frivolous items because they don't have jobs.

What is the relationship between spending and output in this situation?

Companies will probably decrease their production on items because less people will be buying them.

What is likely to happen to real gross domestic product as a result of the relationship between spending and output?

The real gross domestic product will drop.
**Satisfactory - Student Response**

Given the conditions presented in the headline above, what is likely to happen to spending in the economy? Explain your answer.

*Not as much money will be spent due to the higher unemployment rate.*

What is the relationship between spending and output in this situation?

*There is no output to spend the money.*

What is likely to happen to real gross domestic product as a result of the relationship between spending and output?

*The real gross domestic product will likely decrease.*

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Given the conditions presented in the headline above, what is likely to happen to spending in the economy? Explain your answer.

*If the national unemployment rate is rising and inflation is falling, spenders in that country will stop buying as much because of less money being made. There could be a balance created if the inflation rate keeps falling.*

What is the relationship between spending and output in this situation?

*Spending will begin to decrease as there are less people with jobs. The output of goods will decrease as well, as the spending decreases.*

What is likely to happen to real gross domestic product as a result of the relationship between spending and output?

*The real gross domestic product's value will increase as production decreases.*
Minimal - Student Response

Given the conditions presented in the headline above, what is likely to happen to spending in the economy? Explain your answer.

Spending will decrease as consumers lose income due to unemployment. With the decrease in spending, market goods will be worth less and prices will fall.

What is the relationship between spending and output in this situation?

The value of goods decreases when spending decreases and output remains the same.

What is likely to happen to real gross domestic product as a result of the relationship between spending and output?

______________________________

Given the conditions presented in the headline above, what is likely to happen to spending in the economy? Explain your answer.

The spending in the economy will decrease since people are unaware what will happen in the future; they will save more money.

What is the relationship between spending and output in this situation?

Spending - less, output - more

What is likely to happen to real gross domestic product as a result of the relationship between spending and output?

It will stay the same.

______________________________
Incorrect - Student Response

Given the conditions presented in the headline above, what is likely to happen to spending in the economy? Explain your answer.

People may make more so they spend more.

What is the relationship between spending and output in this situation?

If people get more money, they may spend more also.

What is likely to happen to real gross domestic product as a result of the relationship between spending and output?

More products may be made because more people are buying.

Given the conditions presented in the headline above, what is likely to happen to spending in the economy? Explain your answer.

The majority of the time when you spend your money of economy, the most likely to occur is that sometimes this can be good for sellers and sometimes bad.

What is the relationship between spending and output in this situation?

It's when you spend money on something for example to sell clothes and output what benefits you get for that.

What is likely to happen to real gross domestic product as a result of the relationship between spending and output?

I think that this is kind of balance to spend your money and get benefits for that. And you can increase your money.
**2006 National Performance Results**

<table>
<thead>
<tr>
<th>Score</th>
<th>Percentage of Students</th>
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<tbody>
<tr>
<td>Incorrect</td>
<td>29%</td>
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<tr>
<td>Minimal</td>
<td>31%</td>
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<tr>
<td>Satisfactory</td>
<td>20%</td>
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<tr>
<td>Superior</td>
<td>11%</td>
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<tr>
<td>Omitted</td>
<td>7%</td>
</tr>
<tr>
<td>Off task</td>
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</tbody>
</table>

Note:

- These results are for public and nonpublic school students.
- Percentages may not add to 100 due to rounding.

**Content Area**

**The National Economy**

Content area includes

- the concepts, terminology, and data used to identify and describe inflation, unemployment, output, and growth;
- the factors that cause changes in those conditions;
- the role of money and interest rates in an economy; and
- the mechanics and the appropriate uses of Federal Reserve monetary policies and federal government fiscal policies.

Economically literate grade 12 students are able to describe how economies use different systems of allocating goods and services and can compare the benefits and the costs of different methods. Students can identify the various economic roles that governments play as providers of goods and services. In addition, economically literate students can

- explain the role of money in an economy and identify interest rates as the prices of borrowing or lending money;
- give examples of situations in which they might pay or receive interest and how they would react to changes in interest rates;
- identify the effects of technological change and investment on gross domestic product;
- explain the function of taxes and how taxes may redistribute income;
- interpret media reports about current economic conditions and explain how these conditions can influence decisions made by consumers, producers, and governments;
- make informed decisions by anticipating the consequences of inflation and unemployment; and

NAEP released item, Grade 12
• explain the macroeconomic policies of the federal government and the Federal Reserve System, under what conditions policy decisions are likely to change, and the effects of those changes on themselves and others.

Cognitive Levels

Reasoning

Measures students' ability to use information and economic concepts accurately to solve problems, evaluate issues, and interpret situations. Items in the Reasoning category asked students to

• interpret data to identify an event or a trend, explain the cause, and recommend policy;
• apply or use a concept when the concept is not specified;
• apply more than one concept when one or more concepts are specified; and
• perform a multiple-step analysis on a given scenario or event.