Which of the following groups would most likely be hurt financially by unexpected inflation?

A) People who are borrowing money at fixed rates of interest
B) Purchasers of land who are speculating on price increases
C) Retirees who are living on a fixed income
D) Workers with a cost-of-living adjustment clause in their contracts
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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
- 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.
**Applying**

Measures students' abilities to describe or explain the relationship between information (data, summaries, headlines, problems, and scenarios) and economic concepts. Items in the Applying category asked students to

- restate an economic concept in their own words,
- interpret data and information to identify events or trends and explain the cause,
- analyze a given scenario or event that requires only one step in the analysis, and
- apply or use a concept when the concept is specified.