



THE STOCK MARKET GAME™

***SMG WORLDWIDE CORRELATION
TO THE TEXAS ESSENTIAL KNOWLEDGE AND SKILLS***

***ECONOMICS: THE FREE ENTERPRISE SYSTEM
HIGH SCHOOL***

**Texas Council
on
Economic Education**



nie newspaper in education
The Dallas Morning News
nie.dallasnews.com

What is The Stock Market Game Program?

The Stock Market Game (SMG WORLDWIDE) is an educational program of the Securities Industry for Economic Education. It is offered regionally by the Texas Council on Economic Education and the Newspaper in Education Program of *The Dallas Morning News*.

The SMG is an Internet-based stock trading simulation offered each fall and spring. Teams of 3-5 students begin their trading session with a hypothetical \$100,000. They research companies, study why stock prices rise and fall, follow current events, manage the money in their investment budget and make decisions about the purchase and sale of stock in their online trading account. The program has helped over six million students nationwide learn about financial issues and the American economic system.

Why should my students participate in the SMG?

The Stock Market Game provides economics teachers an interesting and real-life application that broadens student understanding of the role of business and investing in the free enterprise system. Students apply computer and Internet skills in a practical and meaningful way, while developing their problem solving and decision-making abilities.

While participating in the Stock Market Game program, students are directly engaged in learning about stocks, the stock market, and the development of a profitable stock portfolio. In order to successfully design their portfolio, students are motivated to learn about the companies that issue stock. This leads students to study the economy and the conditions that influence the business activity of various companies. The activities associated with the SMG program correlate directly with certain aspects of the Free Enterprise course, and thus, reinforce required skills outlined in the TEKS for that course.

What is the purpose of this correlation?

The following document correlates Stock Market Game activities with the Texas Essential Knowledge and Skills (TEKS) in high school economics with special emphasis on the free enterprise system. Relevant TEKS are listed. After each of the TEKS, the **SMG WORLDWIDE Connection** illustrates how the SMG-related activities could be used to teach and reinforce state required skills. **Curriculum Resources** lists suggested lessons and activities.

Will the SMG fit into my curriculum?

The Stock Market Game Program is offered during a fixed time period during the fall and spring semesters. Therefore, some of the relevant correlation between the SMG and the economics course syllabus might fall outside of the SMG time frame. This problem is easily overcome. Before the SMG begins, the teacher can utilize activities in preparation for playing the game to reinforce curricular topics. And, likewise, after the program has been completed, references back to the experience maintain the relevance of the SMG Worldwide as a primary source for enhancing classroom study and learning.

Acknowledgements

Special thanks to Dr. H. Ray Buchanan, a social studies teacher at the Greenhill School in Dallas, Texas, for preparing this document. It provides a valuable tool for economics teachers across the state of Texas. Thanks also to Dr. Steve Cobb, Director of the Center for Economic Education, University of North Texas, for reviewing this correlation.

This project was made possible through a grant from *The Dallas Morning News*. Debbie Mackey of the Texas Council on Economic Education served as project manager and editor.

For more information on the Stock Market Game

go to www.smgww.org or contact:

Debbie Mackey

mackeysmg@aol.com

(817) 658-3496

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

① Economics. The student explains the economic process and relates the process to the development of an economic system. The student is expected to:

- A. analyze the economic rights and responsibilities of individuals as consumers; and
- B. analyze the consequences of an economic decision made by an individual consumer.

SMG WORLDWIDE Connections:

Students will:

- 1. understand how buying and selling stocks is a consumer activity.
- 2. identify the rights and responsibilities of the SMG team members when buying and selling stock.
- 3. recognize the consequences of consumer decisions when examining the changing value of the stocks in their portfolio.

Curriculum Resource

Learning from the Market: Lessons 3 & 8

② Citizenship. The student understands the rights and responsibilities of businesses in the U.S. free enterprise system. The student is expected to:

- A. analyze the economic rights and responsibilities of businesses;
- B. analyze the consequences of an economic decision made by a business;
- C. analyze the ethics policy of a selected business; and
- D. identify and evaluate ordinances and regulations that apply to the establishment of various types of businesses.

SMG WORLDWIDE Connections:

Students will:

- 1. evaluate the foundation and activity of companies that issue stock.
- 2. explore the responsibilities of businesses and their ethical policies.
- 3. examine the consequences of business decisions.
- 4. determine how businesses operate in the context of ordinances and regulations.
- 5. recognize that all these are primary considerations in determining what stocks to buy and sell.

Curriculum Resource

Learning from the Market: Lessons 20, 21 & 22

3 **Citizenship. The student understands the right to own, use and dispose of private property. The student is expected to:**

- A. analyze an example of the responsible 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.

SMG WORLDWIDE Connections:

Students will:

- 1. engage in the purchase and disposal of personal and business property as they buy and sell stock.
- 2. consider government limitations on the use of business and personal property as they buy and sell stock.

Curriculum Resource

Learning from the Market: Lessons 14 & 15

4 **Economics. The student understands the basic principles of the U.S. free enterprise system. The student is expected to:**

- A. explain the basic principles of the U.S. free enterprise system including profit motive, voluntary exchange, private property rights and competition; and
- B. explain the benefits of the U.S. free enterprise system including individual freedom of consumers and producers, variety of goods, responsive prices and investment opportunities.

SMG WORLDWIDE Connections:

Students will:

- 1. analyze how the profit motive works as an incentive when students participate in the SMG.
- 2. recognize that the stock in their portfolio is virtual private property which they have the free right to buy and sell.
- 3. understand that the objective of the SMG is to successfully increase the equity in their account.
- 4. explore how the stock market brings together buyers and sellers to their mutual advantage.
- 5. examine how stock markets are governed by prices, supply and demand, and the nature of the goods being exchanged.
- 6. understand that the stock market is a financial intermediary that provides funds necessary for corporations to respond to investment opportunities.

Curriculum Resource

Learning from the Market: Lessons 3, 4, 5, 7, 8, 9, 14 & 15

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

- A. explain why scarcity and choice are basic problems of economics; and
- B. interpret a production-possibilities curve and explain the concepts of opportunity costs and scarcity.

SMG WORLDWIDE Connections:

Students will:

- 1. determine that resources used to buy stock are limited (scarcity).
- 2. recognize that scarcity necessitates choices when developing a portfolio of stocks in the SMG.
- 3. create a graph of their purchasing capacity at any given time.
- 4. determine the production possibility curve of which stocks can be purchased, and which have to be traded off to buy other stocks.
- 5. explore the opportunity cost of having uninvested cash in their portfolio.

Curriculum Resource

Learning from the Market: Lessons 1, 9, 11, 12 & 18

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

- A. interpret a circular-flow model of the economy and provide real-world examples to illustrate elements of the model; and
- B. explain how government actions affect the circular-flow model.

SMG WORLDWIDE Connections:

Students will:

- 1. create a mini-circular-flow chart using the income statement of an annual report from a company in which stock has been purchased.
- 2. develop an aggregate circular-flow chart from this example.
- 3. examine the impact of government actions on the mini- and the aggregate circular-flow chart.

Curriculum Resource

Learning from the Market: Lessons 17 & 21

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

- A. identify the determinants that create changes in supply, demand and price; and
- B. interpret a supply-and-demand graph using supply-and-demand schedules.

SMG WORLDWIDE Connections:

Students will:

- 1. explore the influence of supply and demand on the price of stock.
- 2. create, observe and analyze an historical supply-and-demand schedule for one of the stocks in their portfolio.

Curriculum Resource

Learning from the Market: Lesson 6

8 Economics. The student understands the role of financial institutions in saving, investing and borrowing. The student is expected to:

- A. explain the functions of financial institutions and how the role of financial institutions has changed over time; and
- B. analyze how financial institutions affect households and businesses.

SMG WORLDWIDE Connections:

Students will:

- 1. explore financial institutions and how they play a role in the stock market.
- 2. study changes in the market and analyze how financial institutions have changed over time.
- 3. conduct interviews to reveal the impact of financial institutions on their own families.
- 4. understand the impact of financial institutions on a company in which they own stock by reading its annual report.

Curriculum Resource

Learning from the Market: Lessons 17 & 20

9 Economics. The student understands types of business ownership and types of market structures. 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; and
- C. describe characteristics and give examples of pure competition, monopolistic competition, oligopoly and monopoly.

SMG WORLDWIDE Connections:

Students will:

- 1. examine one of the companies in which they own stock in order to explore the advantages and disadvantages of its corporate structure.
- 2. compare the advantages and disadvantages of the corporation with those of the partnership and the sole proprietorship in terms of raising capital through the sale of stock.
- 3. examine companies in which stock has been purchased to develop an understanding of market structures: pure competition, monopolistic competition, oligopoly and monopoly.

Curriculum Resource

Learning from the Market: Lesson 2

11 Economics. The student understands the basic concepts of consumer economics. The student is expected to:

- A. analyze the factors involved in the process of acquiring consumer goods and services including credit, interest and insurance;
- B. compare different means by which savings can be invested and the risks and rewards each poses to the consumer; and
- C. analyze the economic impact of investing in the stock and bond markets.

SMG WORLDWIDE Connections:

Students will:

- 1. explore how groups and individuals finance stock purchases.
- 2. compare the risks and rewards of various types of investments, especially stocks.
- 3. analyze the risks of investing in the stock market and how that is different from the bond market.

Curriculum Resource

Learning from the Market: Lessons 12 & 13

12 **Geography. The student understands the geographic significance of the economic factors of production. The student is expected to:**

- A. describe the effects of the unequal distribution of economic factors of production; and
- B. analyze the locations of resources used in the production of an economic good and evaluate the significance of the locations.

SMG WORLDWIDE Connections:

Students will:

1. explore the distribution of the economic factors of production by comparing and contrasting companies from different parts of the country/world and the effect this may have on stock value.
2. gather information about the production process from the annual reports or from direct contact with the company.
3. examine Internet links on the SMG website that contain information about firm operations.

Curriculum Resource

Learning from the Market: Lessons 19, 21 & 22

13 **Geography. The student understands the reasons for international trade and its importance to the United States. 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;
- C. analyze the impact of U.S. imports and exports on the United States and its trading partners; and
- D. analyze changes in exchange rates of world currencies and the effects on the balance of trade.

SMG WORLDWIDE Connections:

Students will:

1. explore international trade issues, including comparative advantage and international currency, and the effect they may have on companies who issue stock.
2. examine specific companies using the above mentioned criteria to determine how it might affect a company's profitability and the value of its stock.

Curriculum Resource

Learning from the Market: Lessons 19, 22 & 24

14 **Geography. 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; and
- B. evaluate the benefits and costs of participation in international free-trade agreements.

SMG WORLDWIDE Connections:

Students will:

- 1. analyze the impact of free trade and trade barriers on a company in which stock has been purchased.
- 2. discuss the impact of NAFTA on a corporation in Texas that issues stock.

Curriculum Resource

Learning from the Market: Lessons 19 & 24

15 **Government. The student understands the role that the government plays in the U.S. free enterprise system. The student is expected to:**

- A. describe the role of government in the U.S. free enterprise system; and
- B. evaluate government rules and regulations in the U.S. free enterprise system.

SMG WORLDWIDE Connections:

Students will:

- 1. evaluate the role of government and its impact on companies in which stock has been purchased.
- 2. understand how Nasdaq, the New York Stock Exchange and the American Stock Exchange operate under the authority of the U. S. Securities and Exchange Commission.

16 **Government. The student understands the goals of economic growth, stability, full employment, freedom, security, equity and efficiency as they apply to U.S. economic policy. The student is expected to:**

- A. describe the goals of U.S. economic policy; and
- B. analyze how economic growth, stability and full employment are measured.

SMG WORLDWIDE Connections:

Students will:

- 1. evaluate an historical period and identify the impact of economic growth and employment on the stock market.
- 2. extrapolate that impact to the general economy.

Curriculum Resource

Learning from the Market: Lesson 23

17 Government. 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.

SMG WORLDWIDE Connections:

Students will:

- 1. evaluate the impact of taxes, the federal budget and fiscal policy on businesses in which stock has been purchased by examining annual reports or other informational resources.

Curriculum Resource

Learning from the Market: Lessons 22, 23 & 24

18 Government. 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; and
- B. analyze the three basic tools used to implement U.S. monetary policy.

SMG WORLDWIDE Connections:

Students will:

- 1. analyze historical trends to identify and evaluate the impact of both fiscal policy and monetary policy on the stock market.
- 2. extrapolate from this specific information its application to the economy as a whole.

19 History. The student understands economic ideas and decisions from the past that have influenced the present and those of today that will affect the future. The student is expected to:

- A. analyze the importance of various economic philosophers such as John Maynard Keynes, Karl Marx and Adam Smith and their impact on the U.S. free enterprise system;
- B. trace the history of the labor movement in the United States;
- C. analyze the impact of business cycles on U.S. history; and
- D. identify the contributions of entrepreneurs, past and present, such as Mary Kay Ash, Andrew Carnegie and Bill Gates.

SMG WORLDWIDE Connections:

Students will:

1. analyze the impact of business cycles on the stock market throughout history
2. trace the development of entrepreneurs from an early idea to incorporation to the sale of stock (for example Bill Gates and Microsoft).

Curriculum Resource

Learning from the Market: Lesson 23

23 **Social studies skills. The student applies critical-thinking skills to organize and use information acquired from a variety of sources including electronic technology. The student is expected to:**

- A. analyze 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 such as production-possibilities curves, circular-flow charts and supply-and-demand graphs to analyze economic data;
- C. create a product on a contemporary economic issue or topic using critical methods of inquiry;
- D. explain a point of view on an economic issue;
- E. analyze and evaluate the validity of information from primary and secondary sources for bias, propaganda, point of view and frame of reference;
- F. evaluate economic-activity patterns using charts, tables, graphs and maps; and
- G. use appropriate mathematical skills to interpret social studies information.

SMG WORLDWIDE Connections:

Students will:

1. understand and use investment terminology when discussing decisions about their portfolio.
2. pursue a point of view in explaining which stock to buy.
3. analyze various reports about a particular stock for bias, propaganda, point of view and frame of reference.
4. evaluate stock trading patterns using charts, tables, graphs and other relevant materials.
5. use appropriate mathematical skills in interpreting the price history of a particular stock.
6. create a pie chart depicting the proportion a particular stock in their portfolio occupies in relation to their whole portfolio.
7. compare the daily performance of selected stocks in their portfolios using bar graphs.
8. create line graphs and statistical tables of the performance of stocks in their portfolios.

Curriculum Resource

Learning from the Market: Lessons 8, 14, 15 & 24

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

- A. use social studies 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; and
- D. create written, oral and visual presentations of social studies information.

SMG WORLDWIDE Connections:

Students will:

- 1. develop a final SMG presentation summarizing their investment strategy and portfolio performance.
- 2. utilize a variety of formats in the report, including: oral and written report, using visual aids, and presenting a multimedia presentation (such as a Powerpoint presentation).

Curriculum Resource

Learning from the Market: Lessons 8, 14 & 15

25 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.

SMG WORLDWIDE Connections:

Students will:

- 1. use problem-solving techniques when deciding how to invest the initial \$100,000 by gathering information, listing and considering options, considering advantages and disadvantages of various stocks, and evaluating the effectiveness in terms of the value of the portfolio.
- 2. make predictions about stock performance and evaluate the outcomes.

Curriculum Resource

Learning from the Market: Lessons 14, 15 & 24

26 Science, technology, and society. The student understands the effects of science and technology on an economy. The student is expected to:

- A. analyze the effect of technology on productivity;
- B. analyze the economic effects of the development of communication and transportation systems in the United States;
- C. analyze the economic impact of obsolescence created by technological innovations; and
- D. analyze how technological innovations change the way goods are manufactured, marketed and distributed.

SMG WORLDWIDE Connections:

Students will:

- 1. explore the history of a particular company and examine the impact of technology on productivity.
- 2. examine the impact of technological innovation and obsolescence on the value of a company's stock.
- 3. determine how innovation in communications and in transportation has influenced the value of various stocks in their portfolio.

27 Science, technology and society. The student understands the economic effects of scientific discoveries and technological innovations on households, businesses and government. The student is expected to:

- A. give examples of types of economic information available as a result of technological innovations; and
- B. explain how scientific discoveries and technological innovations create the need for rules and regulations to protect individuals and businesses.

SMG WORLDWIDE Connections:

Students will:

- 1. determine how technological innovation has influenced the process of gathering information about companies and their stock.
- 2. explain how a technological innovation or new patent can affect the value of a company's stock.

SMG WORLDWIDE Curriculum Resources

Learning from the Market: Integrating The Stock Market Game Across the Curriculum

This curriculum is designed to help teachers connect The Stock Market Game to their school's curriculum through 24 classroom-tested lessons. Offering activities for beginning, intermediate and advanced levels, students in grades 4-12 learn the fundamentals of how the market economy works. TO ORDER CONTACT: NATIONAL COUNCIL ON ECONOMIC EDUCATION, 1140 Avenue of the Americas, New York, NY, 10036, 1-800-338-1192 EXT. 763.

The Stock Market Game Guide: Classroom Activities

This guide offers nearly 150 user-friendly pages of games, readings and other interesting classroom activities. These pages show in a clear, concise way what the stock market is, how it works, and why it is important. The stock market is used in the guide to identify and demonstrate basic economic concepts. TO ORDER CONTACT: SECURITIES INDUSTRY FOUNDATION FOR ECONOMIC EDUCATION, 120 Broadway, 35th Floor, New York, NY, 10271, (212) 618-0519.

SMG Teacher's Guide to the Internet

This guide contains an array of activities, tips, and recommendations on how to integrate the Internet into the classroom through the SMG program. For beginners and more advanced users, the guide explains everything teachers need to know about the Internet and demonstrates how they can incorporate this knowledge to enrich and enliven daily classroom lessons. TO ORDER CONTACT: SECURITIES INDUSTRY FOUNDATION FOR ECONOMIC EDUCATION, 120 Broadway, 35th Floor, New York, NY, 10271, (212) 618-0519.



THE STOCK MARKET GAME™

P.O. Box 835
Roanoke, TX 76262

(817) 658-3496 phone
(817) 430-8691 fax
www.smgww.org

A National Program of the Securities Industry Foundation for Economic Education
