



TEST DESIGN AND FRAMEWORK

TEST DESIGN

Economics

The **Economics** assessment consists of **two tests**. Each test contains a section with selected-response questions and a section with a constructed-response assignment. Each section counts for a percentage of your total test score. The areas of content assessed by each test, the approximate number of selected-response questions and constructed-response assignments in each content area, and the percentage of your total test score derived from each test section are shown in the tables below. Further information regarding the content included in each subarea can be found in the test framework.

■ Test I (Test Code 038)

Subareas:	Objectives	Approximate Number of Selected-Response Questions	Constructed-Response Assignments
➤ Economic Concepts and Skills	0001–0002	20	
➤ Microeconomics	0003–0004	20	1
	TOTAL	40	1
	Percentage of Test Score	90%	10%

■ Test II (Test Code 039)

Subareas:	Objectives	Approximate Number of Selected-Response Questions	Constructed-Response Assignments
➤ Macroeconomics	0005–0006	20	1
➤ International Economics	0007	10	
➤ Personal Finance	0008	10	
	TOTAL	40	1
	Percentage of Test Score	90%	10%



Georgia Assessments for the
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TEST FRAMEWORK

Economics

ECONOMIC CONCEPTS AND SKILLS

0001 Understand important economic terms, concepts, and skills.

For example:

- recognizing basic economic terms and concepts (e.g., scarcity, division of labor, specialization, diversification, economies of scale)
- defining basic characteristics of different types of economic systems (e.g., traditional, command, market, mixed)
- identifying the basic productive resources of land, labor, capital, and entrepreneurship
- defining and distinguishing between absolute advantage and comparative advantage and demonstrating knowledge of the importance of comparative advantage in international trade
- evaluating economic information (e.g., recognizing cause-and-effect relationships, distinguishing between fact and opinion, comparing positive and normative statements, drawing conclusions, making generalizations)
- interpreting graphic presentations (e.g., charts, tables, graphs, diagrams) of economic information and evaluating the appropriateness of alternative graphic formats for conveying economic information

0002 Understand the application of economic concepts to the analysis and synthesis of economic topics.

For example:

- analyzing how traditional, command, market, and mixed economic systems answer the three economic questions of what to produce, how to produce, and for whom to produce
- demonstrating knowledge of why individuals, businesses, and governments trade goods and services and recognizing how voluntary trade benefits buyers and sellers over time
- demonstrating knowledge of the roles of government in a market economy, including the redistribution of income, the protection of property rights, and the resolution of market failures
- demonstrating knowledge of trade-offs and opportunity cost and using a production possibilities curve to illustrate the relationship between these two concepts
- demonstrating knowledge of how rational decision making is based on a comparison of marginal benefits and marginal costs

MICROECONOMICS

0003 Understand principles of microeconomics.

For example:

- demonstrating knowledge of the law of supply and the law of demand and recognizing factors that cause changes in supply and demand
- constructing and interpreting graphs to analyze how supply and demand determine equilibrium price and quantity and resolve issues of equilibrium
- demonstrating knowledge of how prices serve as incentives in a market economy and how price floors create surpluses and price ceilings create shortages
- defining price elasticity of supply and demand

0004 Understand concepts and principles related to how individuals, businesses, and government use resources and interact in the marketplace.

For example:

- analyzing the role of money as a medium of exchange, a store of value, and a measure of value
- interpreting a circular flow diagram to analyze the real flow of goods, services, and money between and among businesses, households, and government
- comparing and contrasting the three forms of business organization—sole proprietorship, partnership, and corporation
- comparing the basic characteristics of monopoly, oligopoly, monopolistic competition, and pure competition market structures
- identifying the characteristics of entrepreneurs and recognizing the role of entrepreneurship in a market economy
- recognizing examples of government regulation and deregulation and analyzing their effects on consumers and producers
- demonstrating knowledge of the characteristics of progressive, regressive, and proportional taxes and analyzing the effects of changes in different types of taxes on different groups

MACROECONOMICS

0005 Understand the means by which economic activity is measured.

For example:

- analyzing the stages of the business cycle and defining recession and depression
- explaining how economic growth, inflation, and unemployment are calculated (e.g., real and nominal gross domestic product [GDP], consumer price index [CPI])
- demonstrating knowledge of the expenditure approach (i.e., how overall levels of income, employment, and prices are determined by the spending and production decisions of households, business, government, and net exports $[C + I + G + (X - M)]$)
- constructing and interpreting graphs to analyze how aggregate supply and aggregate demand determine equilibrium price level and output in both the short run and the long run
- demonstrating knowledge of productivity and recognizing how investment in equipment, technology, and education can lead to economic growth and a higher standard of living
- comparing structural, frictional, and cyclical unemployment
- analyzing who benefits and who loses from inflation
- distinguishing the difference between national debt and government deficits

0006 Understand principles and concepts related to fiscal policy and monetary policy.

For example:

- defining fiscal policy and demonstrating knowledge of factors involved in creating fiscal policy
- analyzing government taxing and spending decisions on aggregate output and the price level
- demonstrating knowledge of the organization and functions of the Federal Reserve System
- defining monetary policy and analyzing how the Federal Reserve Board uses the tools of monetary policy to promote price stability, full employment, and economic growth

INTERNATIONAL ECONOMICS

0007 Understand principles, concepts, and debates related to international economics and trade.

For example:

- defining terms related to international economics and trade (e.g., balance of trade, balance of payments, terms of trade, specialization, dumping, cartel)
- recognizing examples of trade barriers (e.g., tariffs, quotas, embargoes, standards, subsidies), analyzing the costs and benefits of trade barriers over time, and evaluating arguments for and against free trade
- identifying major trading blocs (e.g., European Union [EU], North American Free Trade Agreement [Nafta], Association of Southeast Asian Nations [ASEAN]) and analyzing their influence on the international economic system
- demonstrating knowledge of international currency exchange and exchange rates, interpreting exchange rate tables, and analyzing the effects of changes in exchange rates on different groups

PERSONAL FINANCE**0008 Understand principles and practices related to personal finance and employment.**

For example:

- analyzing the ways in which individuals respond to positive and negative incentives, demonstrating knowledge of the direct relationship between risk and return, and evaluating a variety of savings and investment options (e.g., stocks, bonds, mutual funds)
- recognizing and comparing services offered by different financial institutions, comparing interest rates and loans from different institutions, recognizing reasons for the spread between interest charged and interest earned, and explaining the difference between simple and compound interest rates
- demonstrating knowledge of how to create and maintain a personal budget and savings plan, recognizing the factors that affect creditworthiness, and evaluating the costs and benefits of using credit
- applying knowledge of how to use consumer skills and rational decision-making models to evaluate purchases and sale options
- recognizing basic characteristics of various types of insurance (e.g., automobile, health, disability, property) and the costs and benefits associated with each type
- identifying skills necessary for success in the workplace and recognizing the significance of investment in human capital (e.g., education, training, skill development)