



# GACE® Economics Assessment Test I (038) Curriculum Crosswalk

## Required Coursework Numbers

<b>Subarea I. Fundamental Economic Concepts (20%)</b>															
<i>Objective 1: Demonstrates an understanding of the fundamental concepts of economics</i>															
A. Understands the concepts of scarcity, choice, and opportunity cost															
B. Identifies and describes the factors of production (e.g., land, labor, physical capital, human capital, entrepreneurship) and gives an example of each															
C. Understands how changes in marginal costs and marginal benefits affect decision making															
D. Understands how the production possibility curve is used to illustrate trade-offs, economic efficiency, economic inefficiency, and economic growth															
E. Understands how specialization increases productivity and results in greater output of goods and services															
F. Understands that both buyers and sellers gain from specialization and voluntary exchange															
G. Compares command, market, and mixed economic systems with regard to ownership and allocation of resources															
H. Understands how each type of system answers the three economic questions of what, how, and for whom goods and services are produced															

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I. Understands how each system addresses broad social and economic goals such as growth, equity, and stability																		
<b>Subarea II. Microeconomics (80%)</b>																		
<i>Objective 1: Demonstrates an understanding of supply and demand and elasticity</i>																		
A. Understands how the simple circular-flow model is used to describe how households and businesses interact through the product and factor markets																		
B. Understands the law of supply and the law of demand and how they are illustrated, using supply and demand curves																		
C. Understands how the supply-and-demand graph is used to determine equilibrium price and quantity in a competitive market																		
D. Understands how prices guide the allocation of resources and the production and distribution of goods																		
E. Understands how competitive markets eliminate surpluses and shortages																		
F. Identifies the determinants of market supply and demand, and understands how changes in the determinants of supply and demand affect the market equilibrium																		
G. Understands the distinction between a shift of the supply or demand curves versus a movement along the supply or demand curves																		
H. Understands the concepts of consumer and producer surpluses and how they are used to measure the benefits and costs of price changes																		

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I. Understands how the concepts of total utility and marginal utility are used to explain consumer choices																			
J. Defines the price elasticity of supply and the price elasticity of demand, and understands how to calculate them																			
K. Understands the different classifications of elasticity such as elastic and inelastic supply and demand curves																			
L. Understands the relationship between total revenue and elasticity of demand																			
M. Identifies and explains the factors affecting the price elasticity of supply and demand																			
N. Understands the concept of income elasticity of demand and how it is used to distinguish between normal and inferior goods																			
O. Understands the concept of cross-price elasticity of demand and how it is used to identify whether two goods are substitutes or complements																			
<i>Objective 2: Demonstrates an understanding of the impacts of government intervention in markets</i>																			
A. Understands how the graph of supply and demand is used to analyze the impact of price floors or price ceilings																			
B. Understands how the graph of supply and demand is used to analyze the effects of taxes and subsidies on the equilibrium market price and quantity																			
C. Understands how the existence of public goods, externalities, and income distribution causes market failure																			

## Required Coursework Numbers

D. Understands how the government attempts to remedy market failure to improve the allocation of resources															
E. Understands why government protects property rights															
F. Gives examples of government regulation and deregulation and their effects on consumers and producers															
G. Understands the meaning of progressive, regressive, and proportional taxes and their effects on household income															
<i>Objective 3: Demonstrates an understanding of the concepts of production, cost, and market structures</i>															
A. Identifies and compares the three forms of business organization															
B. Understands the role of profit as an incentive for entrepreneurs															
C. Understands the relationship among revenues, costs, and profits															
D. Understands the difference between explicit and implicit costs															
E. Understands the relationships between inputs and outputs (production function, total product, and marginal product)															
F. Understands the distinction between the short run and the long run															
G. Understands the law of diminishing marginal returns															

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H. Understands the relationships among the various cost measures; e.g. total cost, total variable cost, total fixed cost, average total cost, average variable cost, average fixed cost, and marginal cost																			
I. Understands long-run costs and the concept of economies of scale																			
J. Understands the concept of derived demand for a factor of production, such as labor																			
K. Understands how equilibrium wages and employment are determined in a competitive labor market																			
L. Understands how changes in labor demand and labor supply affect equilibrium wages and employment																			
M. Understands and illustrates on a graph how firms choose the profit-maximizing price and output using the marginal cost and marginal revenue analysis																			
N. Identifies the characteristics of perfect competition, and understands and illustrates on a graph how individual firms determine output to maximize profit																			
O. Identifies the characteristics and sources of monopolies, and understands and illustrates on a graph how a monopoly determines output and price to maximize profit																			
P. Compares a monopoly to a perfectly competitive market with respect to price, output, and allocative efficiency																			
Q. Identifies the characteristics of monopolistic competition and compares them to other market structures																			

### Required Coursework Numbers

R. Identifies the characteristics of an oligopoly and compares them to other market structures															
S. Understands the role of profits in motivating entry into or exit from a market in the long run															