



# GACE® Economics Assessment Test II (039) Curriculum Crosswalk

## Required Coursework Numbers

<b>Subarea I. Macroeconomics (64%)</b>																			
<i>Objective 1: Demonstrates an understanding of the measures of economic performance</i>																			
A. Understands how the expanded circular flow model is used to describe the economic transactions that occur among the major sectors of the economy — households, businesses, government, and the rest of the world — as they interact through the product markets, factor markets, and financial markets																			
B. Understands the macroeconomic goals for an economy, including economic growth, full employment, and price stability																			
C. Understands how gross domestic product (GDP) is defined and the different approaches used to measure GDP																			
D. Understands the shortcomings of GDP as a measure of output and standard of living																			
E. Understands the components of GDP, including consumption, investment, government purchases, and net exports																			
F. Understands the distinction between nominal and real GDP																			
G. Defines inflation and understands how it is measured using the consumer price index (CPI)																			
H. Understands the distinction between nominal and real values for variables such as wages and interest rates																			

## Required Coursework Numbers

I. Understands how inflation may benefit or hurt various groups of people																		
J. Defines unemployment and understands how it is measured																		
K. Understands the distinction among various types of unemployment; e.g., structural, cyclical, and frictional																		
L. Understands the concept of the natural rate of unemployment																		
M. Defines the business cycle and explains the phases of the cycle																		
N. Defines the aggregate demand curve and its components, and understands the factors that shift the aggregate demand curve																		
O. Understands the distinction between short-run and long-run aggregate supply and explains their determinants																		
P. Understands how the aggregate supply and aggregate demand model is used to determine equilibrium price level and output in the short run and in the long run																		
Q. Understands how employment is related to real GDP																		
R. Understands how inflationary and recessionary gaps are defined in the context of the aggregate supply and aggregate demand model																		
<i>Objective 2: Demonstrates an understanding of fiscal policy, monetary policy, and economic growth</i>																		
A. Identifies the major sources of revenue for the federal government and the major categories of government spending																		

## Required Coursework Numbers

B. Understands the concept of marginal propensity to consume and how it is used to calculate the spending multiplier and the tax multiplier																			
C. Defines fiscal policy and understands how changes in government spending and taxes are used to promote price stability, full employment, and economic growth																			
D. Understands the distinction between expansionary and contractionary fiscal policies and the mechanism by which each can affect price level, output, and employment																			
E. Understands the distinction between discretionary fiscal policy and automatic stabilization																			
F. Understands the distinction between the national debt and government deficits																			
G. Understands the structure and composition of the financial system																			
H. Understands the structure and the functions of the Federal Reserve System																			
I. Understands the definition and the functions of money																			
J. Understands the different measures of the money supply																			
K. Understands how banks create money and the concept of money multiplier																			
L. Understands how equilibrium is determined in the money market																			
M. Defines monetary policy and understands how the Federal Reserve Bank uses the tools of monetary policy to promote price stability, full employment, and economic growth																			

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N. Understands the distinction between expansionary and contractionary monetary policies and the mechanism by which each can affect price level, output, and employment															
O. Understands the meaning of productivity															
P. Understands the concept of economic growth and explains the determinants of economic growth															
Q. Understands the relationship among savings, investment, and economic growth															
R. Understands government policies designed to promote economic growth															
<b>Subarea II. International Economics (20%)</b>															
<i>Objective 1: Demonstrates an understanding of the fundamental concepts of international trade and capital flows</i>															
A. Understands the distinction between absolute advantage and comparative advantage															
B. Understands how opportunity costs are used to determine comparative advantage given production possibility curves for different countries															
C. Understands how comparative advantage is used to determine specialization and the direction of trade among countries															
D. Understands how specialization and trade lead to gains and interdependence															
E. Understands the difference between trade deficits and trade surpluses															

## Required Coursework Numbers

F. Understands how a country uses trade barriers to restrict free trade; e.g., tariffs, quotas, embargoes, and standards																		
G. Understands the costs and benefits of trade barriers																		
H. Understands the arguments for and against free trade																		
I. Understands why trading blocs exist, and give examples of them; e.g., the EU, NAFTA, and ASEAN																		
J. Understands the roles of international organizations; e.g., World Bank, IMF, and WTO																		
K. Understands how a country's balance of payments is used to record its international transactions in trade and finance																		
L. Understands the relationship between the current account balance and financial account balance in a country's balance of payments																		
M. Defines the exchange rate of a currency and understands how it is determined under a fixed exchange-rate system and a flexible exchange-rate system																		
N. Understands how to calculate an exchange rate from a set of data and determine whether the currency has appreciated or depreciated																		
O. Understands the effect of currency appreciation or depreciation on a country's exports, imports, and trade balance																		

## Required Coursework Numbers

P. Understands the causes of financial capital inflows and outflows															
Q. Understands who gains and who loses from currency appreciation or depreciation															
<b>Subarea III. Personal Finance (16%)</b>															
<i>Objective 1: Demonstrates an understanding of the fundamentals of household spending, saving, and investment behavior</i>															
A. Understands the impact of investment in education, training, and skill development on an individual's earnings															
B. Understands how people respond to incentives with respect to saving, investing, and spending decisions															
C. Understands how changes in fiscal and monetary policies affect an individual's income and spending and saving choices															
D. Understands how an increase in sales tax affects different income groups															
E. Understands the roles of different types of financial institutions in saving and financial investment															
F. Understands the role of a bank as a financial intermediary between savers and investors															
G. Understands the relationship between risk and return															
H. Understands the difference between savings and financial investment instruments, including stocks, bonds, and mutual funds															

### Required Coursework Numbers

I. Understands how insurance and other risk-management strategies protect against financial losses															
J. Understands the factors that affect credit worthiness															
K. Understands the difference between simple and compound interest rates															
L. Understands the concept of the time value of money; e.g., present value and future value															
M. Compares the advantages and disadvantages of variable and fixed interest-rate loans															