

**Praxis® Economics (5911)
Curriculum Crosswalk**

Required Course Numbers

Required Course Numbers														
Test Content Categories														
I. Fundamental Economic Concepts (20%)														
1. Understands the concepts of scarcity, choice, and opportunity costs and knows the factors of production														
a. Understands the meaning of scarcity of resources, goods, and services														
b. Understands the role of land, labor, capital goods, and entrepreneurship in the production of goods and services														
c. Understands the relationship between scarcity, choice, and opportunity costs														
2. Knows how to apply marginal cost and marginal benefits analysis to decision-making														
a. Knows how to differentiate between marginal benefit and total benefit														
b. Knows how to differentiate between marginal costs and total costs														
c. Applies marginal analysis to decision-making														
d. Understands how changes in marginal costs and benefits affect decision-making														
3. Knows how to use the production possibilities curve to illustrate the concepts of opportunity costs, economic efficiency, and growth														
a. Knows how to use the production possibilities curve to illustrate the concepts of														
- opportunity costs														

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Test Content Categories															
- economic efficiency															
- economic growth															
- scarcity															
4. Understands absolute advantage and comparative advantage															
a. Understands and can distinguish between absolute and comparative advantage															
b. Can determine comparative advantage based on opportunity costs															
5. Understands specialization, interdependence, and gains from trade															
a. Understands the relationship between trade, specialization, and division of labor															
b. Understands how specialization and trade produce gains and lead to interdependence															
6. Knows the types of economic systems and how the basic economic choices are made in each system															
a. Knows the main characteristics of various economic systems (e.g., market, command, mixed, and traditional)															
b. Knows how various economic systems answer the basic questions of what, how, and for whom															

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Test Content Categories															
7. Knows the roles of individuals, businesses, and government in a market economy and knows how to use the circular flow model to show how the different sectors are related															
a. Knows that consumers demand goods and services and supply resources, land, labor, and capital															
b. Knows that businesses supply goods and services and demand resources, land, labor, and capital															
c. Knows the role of government in a market economy															
d. Knows how to use the circular flow model to show how different economic sectors are related															
8. Knows how to evaluate charts and graphs															
a. Understands graphs that show positive relationship between variables															
b. Understands graphs that show negative relationship between variables															
c. Understands the correspondence between table of numbers and graphs															
II. Microeconomics (45%)															
A. Supply and Demand															
1. Knows the definition of a market and the role of incentives															

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Test Content Categories															
a. Knows what a market is															
b. Understands that buyers and sellers are motivated by individual gains															
2. Understands the law of demand and the relationship between price and quantity demanded															
a. Understands what the demand curve represents															
b. Understands the relationship between price and quantity demanded															
c. Understands what a supply curve represents															
d. Understands the relationship between price and quantity supplied															
3. Knows the difference between individual demand and market demand															
a. Knows how the market demand curve is obtained by aggregating individual consumers' demand curves															
4. Knows the difference between firm supply and market supply															
a. Knows how the market supply curve is obtained by aggregating individual firms' supply curves															
5. Understands the interaction of demand and supply in determining equilibrium price and quantity															

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Test Content Categories															
a. Understands that the equilibrium market price and quantity occurs where quantity demanded equals quantity supplied															
6. Understands how price guides resource allocation and rations goods and services															
a. Understands that surpluses and shortages are caused by non-equilibrium prices															
b. Understands how the market responds to non-equilibrium prices															
c. Understands how market prices ration goods and services															
7. Knows the determinants of demand and supply and how to analyze the effect of a given economic event on equilibrium price and quantity															
a. Understands the factors that cause shifts in the supply curve and the factors that cause shifts in the demand curve															
b. Can demonstrate how equilibrium price and quantity change when there are shifts in the supply and/or demand curves															
8. Knows how to analyze the effects of government policies (e.g., price ceiling, price floor) on price and output															
a. Knows the definition, purpose, and effects of price floors															
b. Knows the definition, purpose, and effects of price ceilings															

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c. Knows the effects of taxes and subsidies																			
9. Understands the determinants of price elasticity of demand and the meaning of the coefficients of price elasticity of demand																			
a. Understands the definition and interpretation of the coefficient of the price elasticity of demand																			
b. Understands the classification of price elasticity of demand as elastic, inelastic, or unit elastic																			
c. Understands the determinants of the price elasticity of demand																			
10. Understands how price elasticity of demand affects the relationship between changes in price and total revenue																			
a. Understands the effect of a change in price on total revenue, given a price elasticity of demand																			
11. Knows total utility, marginal utility, and the law of diminishing marginal utility																			
a. Knows the definition of total utility and marginal utility																			
b. Knows the law of diminishing marginal utility																			
B. Product Market																			
1. Understands the relationship among revenues, costs, and economic profits																			
a. Understands the concepts of and distinction between accounting and economic profit																			

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2. Understands the relationship between inputs and outputs and the law of diminishing returns															
a. Understands the distinction between the short run and the long run															
b. Understands the distinctions between fixed and variable inputs															
c. Understands the relationship between total product and marginal product															
d. Understands the law of diminishing returns															
3. Understands how changes in productivity and prices of inputs affect costs (e.g., MC, VC, and FC) in the short run															
a. Understands the distinctions between fixed, variable, and total costs															
b. Understands how changes in productivity and the price of inputs affect the firm's costs															
c. Understands the relationship between total, average, and marginal costs															
4. Understands long-run costs, economies of scale, and diseconomies of scale															
a. Understands the distinction between the short-run average cost curves and the long-run average cost curve															
b. Understands the meaning of the terms constant returns to scale, economies of scale, and diseconomies of scale															

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5. Understands that profit-maximizing firms produce where marginal cost equals marginal revenue															
a. Understands that the firm chooses the output level at which marginal cost (MC) equals marginal revenue (MR) to maximize profit															
6. Knows the characteristics of perfect competition and understands the distinction between a firm's demand curve and the market demand curve															
a. Can identify characteristics of perfectly competitive markets															
b. Understands the relationship between a perfectly competitive firm's price and the market equilibrium price															
7. Understands why a firm may continue to operate in the short run while incurring losses															
a. Understands that a firm with losses will continue to produce in the short run if revenues exceed variable costs															
8. Understands the motive of firms for entering or exiting the perfectly competitive market															
a. Understands the role of economic profits and losses in motivating the entry and exit of firms from perfectly competitive markets															
b. Understands why firms in a perfectly competitive market earn zero economic profit in long-run equilibrium															

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9. Understands the characteristics, sources, and models of a monopoly																				
a. Can identify the characteristics of a monopoly																				
b. Can identify different sources of monopolies (e.g., patents, natural, geographic)																				
c. Understands how a monopoly determines output and price to maximize profit																				
10. Understands the characteristics of an oligopoly																				
a. Can identify characteristics of an oligopoly and compare them with those of other market structures																				
11. Understands the characteristics of monopolistic competition																				
a. Can identify characteristics of monopolistic competition and compare them with those of other market structures																				
12. Understands the difference between monopoly and perfectly competitive market with respect to price, output, and allocative efficiency. Knows how allocative efficiency is defined																				
a. Can compare a perfectly competitive market with a monopoly with respect to price, output, and allocative efficiency																				
13. Knows the different forms of business organization																				
a. Knows the three types of business organization: sole proprietorship, partnership, and corporation																				

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Test Content Categories															
b. Knows advantages and disadvantages of each form of business organization															
C. Factor Markets															
1. Understands wage and employment determination in competitive labor markets															
a. Understands what the demand curve for labor represents															
b. Understands the relationship between the wage rate and the quantity of labor demanded															
c. Understands the relationship between the demand for labor and the demand for the product that the labor is used to produce															
d. Understands what the supply curve for labor represents															
e. Understands the relationship between the wage rate and the quantity of labor supplied															
f. Understands the factors that shift the supply curve of labor															
g. Understands that the equilibrium wage rate and quantity occurs where quantity demanded of labor equals quantity supplied of labor															
D. Government Policy and Regulation of Markets															
1. Understands the problems posed by externalities and what the government can do to correct them															
a. Understands how externalities can cause an inefficient allocation of resources															

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b. Understands how government actions can improve the allocation of resources																				
2. Understands the problems posed by public goods and why private markets fail to provide them																				
a. Understands the characteristics of public goods																				
b. Understands why private markets fail to provide the allocatively efficient level of public goods																				
c. Understands the role of government in providing public goods																				
3. Knows how antitrust laws are used to promote a competitive market environment																				
a. Knows the purpose and effects of antitrust laws																				
4. Knows the different types of taxes and the distinctions among them																				
a. Knows the distinctions among different types of progressive, proportional, and regressive taxes																				
b. Knows how tax policies can affect the distribution of income																				
5. Knows the roles of regulatory agencies (e.g., FDIC, SEC) in overseeing the activities of financial markets																				
a. Knows the purpose of regulatory agencies in product, factor, and financial markets																				

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Test Content Categories														
III. Macroeconomics (35%)														
A. Economic Performance and Fluctuations														
1. Knows the definition and meaning of GDP and measures of standards of living														
a. Can define Gross Domestic Product (GDP)														
b. Knows the shortcomings of GDP as a measure of standard of living														
2. Understands the distinction between nominal and real values for variables such as GDP, wages, and interest rates														
3. Knows the meaning, types, costs, and measurement of unemployment														
a. Knows the definitions of various types of unemployment and can distinguish among them														
b. Knows how the labor force and the unemployment rate are defined														
c. Knows various costs of unemployment														
4. Knows the meaning, measurement, and costs of inflation														
a. Can define inflation														
b. Knows that the price level is measured using a price index such as the consumer price index (CPI)														
c. Knows various costs of inflation														

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5. Knows how to use a price index (e.g., CPI, GDP deflator) to convert nominal values to real values															
a. Can convert nominal values to real values using a price index, such as the CPI or the GDP deflator															
6. Knows the meaning of economic growth and its determinants															
a. Can define economic growth															
b. Can identify the sources of economic growth															
7. Understands the relationship between savings, investment, and economic growth															
8. Knows the characteristics and phases of the business cycle															
a. Knows how real GDP and unemployment change during each phase of the business cycle															
9. Understands the aggregate demand curve and its components															
a. Understands what the aggregate demand curve represents															
b. Understands the components of aggregate demand and the factors that shift the aggregate demand curve															
10. Understands the distinction between short-run and long-run aggregate supply and their determinants															
a. Understands what the short-run aggregate supply curve represents															
b. Understands the sources of shifts of the short-run aggregate supply curve															

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c. Understands what the long-run aggregate supply curve represents															
d. Understands the sources of shifts of the long-run aggregate supply curve															
11. Knows how to apply the aggregate demand and aggregate supply model to determine equilibrium price level and output in the short run and in the long run															
a. Understands that equilibrium output and price level occurs where the aggregate supply curve intersects the aggregate demand curve															
b. Can identify inflationary and recessionary gaps															
B. Money and Banking and the Federal Reserve System															
1. Knows the functions of money and various measures of the money supply															
a. Know the definition and functions of money															
b. Knows the various measures of the money supply															
2. Understands how banks create money															
a. Understands how banks create money															
b. Understands the concept of the money multiplier															
3. Understands the structure and functions of the Federal Reserve System															

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a. Knows the structure of the Federal Reserve System															
b. Understands the role and functions of the Federal Reserve															
4. Understands how the Federal Reserve uses the tools of monetary policy															
a. Understands how the Federal Reserve uses the tools of monetary policy to change the money supply															
5. Understands the demand for money and its determinants (e.g., interest rates, income)															
a. Understands the demand for money and its determinants															
b. Understands the relationship between the quantity of money demanded and the interest rate															
6. Understands the function of financial markets and the basic categories of investment instruments (e.g., stocks, bonds, money markets)															
a. Understands the function of financial markets as they relate to saving and investment															
b. Understands the basic categories of financial assets (e.g., stocks, bonds, money market funds)															
7. Knows how to use the money supply-and-demand model to determine the equilibrium interest rate															
a. Knows how equilibrium interest rates are determined in the money market															

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Test Content Categories															
b. Knows how the money market adjusts when the interest rate is above or below equilibrium															
c. Knows how changes in money supply or money demand affect equilibrium interest rates															
d. Understands the relationship between interest rates and bond prices															
C. Fiscal and Monetary Policies															
1. Knows the definition of government budget surpluses and deficits and their relationship to debt															
2. Understands the multiplied effects of changes in government spending and changes in taxes															
a. Understands the concept of the spending multiplier															
b. Understands how the size of the marginal propensity to consume affects the value of the spending multiplier															
3. Understands the goals and tools of fiscal and monetary policies															
4. Knows how fiscal and monetary policy actions affect aggregate supply and demand															
a. Knows how fiscal and monetary policies affect aggregate demand in the short and long run															
b. Knows how fiscal and monetary policies affect aggregate supply in the short and long run															

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5. Knows the appropriate fiscal and monetary policy actions to deal with unemployment (recession) and inflation															
a. Knows fiscal or monetary policy actions to deal with recession															
b. Knows fiscal or monetary policy actions to deal with inflation															
6. Knows the strengths and weaknesses of fiscal and monetary stabilization policies															
a. Can identify the strengths and weaknesses of fiscal policies															
b. Can identify the strengths and weaknesses of monetary policies															
7. Understands how the economy adjusts to long-run equilibrium in the absence of changes in fiscal or monetary policy															
a. Understands, in the absence of active policy actions, how the economy adjusts to a long-run equilibrium from a recession or inflation															
8. Knows the definition of full employment and the natural rate of unemployment															
a. Knows the meaning of full employment and the concept of the natural rate of unemployment															
9. Understands the short-run tradeoff between unemployment and inflation															
D. Macroeconomics of the Open Economy															

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1. Understands comparative advantage and gains from international trade															
a. Understands that trade based on comparative advantage results in mutual gains															
2. Understands the effects of government policies (e.g., tariffs, quotas, subsidies) on domestic and international markets															
a. Understands the effects of government policies (e.g., tariffs, quotas, subsidies) on domestic and foreign supply and demand															
b. Understands the effects of government policies (e.g., tariffs, quotas, subsidies) on imports and exports															
3. Knows how the equilibrium exchange rate is determined and the effects of currency appreciation or depreciation on exports and imports															
a. Knows why the value of the United States dollar increases or decreases relative to other currencies															
b. Knows the effect of currency appreciation/depreciation on exports, imports, and the balance of trade															