

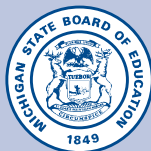


*Michigan*

TEST FOR TEACHER CERTIFICATION  
**STUDY GUIDE**

**007 Economics**

**Effective after October 1, 2013**





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## **PART 1:** General Information About the MTTC Program and Test Preparation

The first section of the study guide is available in a separate PDF file. Click the link below to view or print this section.

[General Information About the MTTC Program and Test Preparation](#)



## PART 2: Test Objectives and Sample Test Questions

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### INTRODUCTION

This section includes a list of the test objectives, immediately followed by sample test questions and an answer key for the field covered by this study guide.

#### Test Objectives

As noted, the test objectives are broad, conceptual statements that reflect the knowledge, skills, and understanding an entry-level teacher needs in order to teach effectively in a Michigan classroom. Each field's list of test objectives represents the **only** source of information about what a specific test will cover and, therefore, should be studied carefully.

The test objectives are organized into groups known as "subareas." These subareas define the major content areas of the test. You will find a list of subareas at the beginning of the test objective list. The percentages shown in the list of subareas indicate the approximate weighting of the subareas on the test.

#### Sample Multiple-Choice Test Questions

The sample multiple-choice test questions included in this section are designed to give the test-taker an introduction to the nature of the test questions included on the MTTC test for each field. The sample test questions represent the various types of test questions you may expect to see on an actual test; however, they are **not** designed to provide diagnostic information to help you identify specific areas of individual strengths and weaknesses or predict your performance on the test as a whole. Use the answer key that follows the sample test questions to check your answers.

To help you identify which test objective is being assessed, the objective statement to which the question corresponds is listed in the answer key. When you are finished with the sample test questions, you may wish to go back and review the entire list of test objectives and descriptive statements once again.





## TEST OBJECTIVES

Subarea	Approximate Percentage of Questions on Test
Economic Concepts and Systems	25%
Macroeconomics	20%
International Economics	20%
Consumer Economics and Personal Finance	10%
Interdisciplinary Perspectives	25%

### I. ECONOMIC CONCEPTS AND SYSTEMS

#### 001 Understand economic terms, concepts, and systems.

Includes:

- basic economic terms and concepts (e.g., scarcity, opportunity cost, choice)
- major figures in the development of economics (e.g., Adam Smith, Karl Marx, John Maynard Keynes, Milton Friedman) and the influence of their ideas and theories
- characteristics of various economic systems (e.g., traditional, command, market, mixed) and how each system answers fundamental economic questions
- the factors of production (i.e., land, labor, capital, and entrepreneurship) and how they are combined to produce goods and services (e.g., production possibility curve)
- the application of core economic principles (e.g., choice, cost of choices, incentives, voluntary trade creates wealth, influences of economic systems, all choices have consequences) to historical and contemporary economic issues
- instructional strategies and resources for promoting the acquisition of knowledge, applying techniques for assessing student understanding, and utilizing knowledge of professional standards and technology in relation to economic terms, concepts, and systems

**002 Understand the market economy.**

Includes:

- interactions among consumers, producers, and government (i.e., circular flow model)
- the operation of supply and demand, prices, price elasticity, and incentives within a market economy
- characteristics of various market structures (e.g., pure competition, monopolistic competition, oligopoly, monopoly)
- the cause and effect of market failures
- the role of entrepreneurs and basic forms of business ownership (e.g., sole proprietorships, partnerships, corporations, franchises)
- production decisions made by businesses (e.g., production costs, profit maximization, output decisions)
- government regulatory agencies, forms of government regulation, and the effects of regulation on consumers and producers
- instructional strategies and resources for promoting the acquisition of knowledge, applying techniques for assessing student understanding, and utilizing knowledge of professional standards and technology in relation to the market economy

**II. MACROECONOMICS**

**003 Understand the national economy.**

Includes:

- roles of and relationships between major economic institutions in the U.S. economic system (e.g., financial institutions, businesses, households, government)
- economic indicators and methods of calculating economic activity (e.g., real and nominal gross domestic product [GDP], consumer price index [CPI], unemployment)
- stages of the business cycle (i.e., expansion, peak, contraction, and trough) and the causes and effects of inflation, unemployment, and deflation
- the causes, types, and effects of unemployment, inflation, and deflation
- instructional strategies and resources for promoting the acquisition of knowledge, applying techniques for assessing student understanding, and utilizing knowledge of professional standards and technology in relation to the national economy

**004 Understand fiscal and monetary policy.**

Includes:

- factors influencing fiscal policy, how government decision makers confront scarcity and market forces, and the effects of fiscal policies on the U.S. economy
- the federal budget process and the national debt; types of government expenditures; and progressive, regressive, and proportional taxes
- the structure and functions of the Federal Reserve System, factors influencing monetary policy, and the effects of monetary policy on the U.S. economy
- instructional strategies and resources for promoting the acquisition of economics knowledge, applying techniques for assessing student understanding, and utilizing knowledge of professional standards and technology in relation to fiscal and monetary policy

**III. INTERNATIONAL ECONOMICS****005 Understand international trade.**

Includes:

- basic principles and components of international trade (e.g., comparative advantage, specialization, interdependence)
- patterns of international trade (e.g., the European Union, the North American Free Trade Agreement [NAFTA], the World Trade Organization [WTO])
- free trade and protectionism (e.g., types of trade barriers, costs and benefits of free trade)
- the role of businesses in international trade (e.g., structure, operation, and impact of multinational corporations) and the operation of capital and labor in the global economy
- international currency exchange and the effects of changes in exchange rates on nations, businesses, and individuals
- instructional strategies and resources for promoting the acquisition of knowledge, applying techniques for assessing student understanding, and utilizing knowledge of professional standards and technology in relation to international trade

**006 Understand international development.**

Includes:

- purposes, roles, and policies of international economic organizations (e.g., the World Bank, the International Monetary Fund)
- growth in transitional and developing economies (e.g., barriers to economic development, choices facing developing economies, development strategies)
- the impact of globalization on developing, transitional, and developed countries (e.g., China, India)
- instructional strategies and resources for promoting the acquisition of knowledge, applying techniques for assessing student understanding, and utilizing knowledge of professional standards and technology in relation to international development

**IV. CONSUMER ECONOMICS AND PERSONAL FINANCE**

**007 Understand principles and practices related to consumer economics and personal finance.**

Includes:

- how people use analysis, reasoning, and problem-solving and decision-making skills as consumers, producers, savers, and investors
- consumer rights and responsibilities, sources of consumer information, and consumer protection laws and agencies
- principles and steps involved in creating and maintaining a personal budget
- types of credit, procedures for obtaining credit, factors that affect credit eligibility, and appropriate uses of credit
- characteristics of insurance, savings, investment, and retirement financing options, and the risks and benefits associated with each
- types of institutions, businesses, and agencies that provide financial services (e.g., credit unions, commercial banks, savings and loan associations)
- instructional strategies and resources for promoting the acquisition of knowledge, applying techniques for assessing student understanding, and utilizing knowledge of professional standards and technology in relation to personal finance

**V. INTERDISCIPLINARY PERSPECTIVES****008 Understand the relationship between history and economics.**

Includes:

- business activity and the history of economic development in Michigan (e.g., iron ore and copper mining, developments in transportation, automobile manufacturing)
- major events and developments in the eras of U.S. history that have shaped the U.S. economic system (e.g., the development of the southern plantation economy, slavery, the Civil War, the Great Depression)
- major economic turning points in the eras of world history that have influenced the development of human civilizations (e.g., the Agricultural Revolution, the Commercial Revolution, the Industrial Revolution, the Communication Revolution) and the evaluation of these events from diverse perspectives
- uses and limitations of various historical source materials (e.g., oral histories, newspapers, diaries, probate data, tax lists, census data, correspondence, materials accessed through information technology)

**009 Understand the relationship between geography and economics.**

Includes:

- effects of physical factors such as climate, topography, ecology, and location on population distribution, livelihood, industry, agriculture, and commerce in various world regions
- how human–environment interactions have influenced economic growth and decline in diverse world regions
- the impact of economic ideas on the political and human geography of the United States and the world
- the shape, location, and significant features of major landmasses and bodies of water in the United States and major world regions and their impact on economic activity
- the impact of human activity on the development of economic systems, including patterns of settlement, proximity to raw materials, the creation of finished products, human migrations, the emergence of trading relationships, and how ideas impact and shape trade

**010 Understand the relationship between political science and economics.**

Includes:

- basic principles (e.g., federalism, the rule of law, limited government) and major components of the U.S. Constitution and the Michigan Constitution
- purposes, organization, and functions of government in the United States at the federal, state, and local levels and relationships between different levels of government
- historical and contemporary relationships between political ideas and government policies and the development of national and regional economies (e.g., the Russian Revolution and the Soviet command economy, the New Deal and the expanded role of government in the U.S. economic system)
- how economic factors have shaped political ideas and the evolution of government institutions (e.g., free enterprise and evolution of democratic government, economic nationalism and the emergence of fascism)

**011 Understand core democratic values, recognize the rights and responsibilities of citizenship in a democratic society, and apply methods for analyzing public policy questions.**

Includes:

- core democratic values of America's constitutional republic (e.g., individual rights, justice for all, equal opportunity, respect and appreciation for diversity, patriotism) and ways in which pivotal decisions and major debates in U.S. history reflect those values
- behaviors expected of members of a democratic society (e.g., how an individual's actions affect other people, how one acts in accordance with the rule of law, how one acts in an ethical and responsible way as a member of society, how individuals in history demonstrated democratic values and ethics)
- steps in the decision-making and problem-solving processes (e.g., identifying decisions to be made or problems to be solved, gathering information, identifying alternative courses of action)
- ways of engaging in constructive conversation about matters of public concern (e.g., clarifying issues, considering opposing views, applying core democratic values, anticipating consequences, working toward making decisions)
- ways of making reasoned and informed decisions on public issues (e.g., stating issues clearly, tracing the origins of issues, analyzing various perspectives people bring to public policy debates, recognizing factors to be considered when formulating resolutions to public issues, evaluating possible solutions)
- criteria used to analyze evidence and position statements (e.g., logical validity, factual accuracy and/or omission, emotional appeal, credibility, unstated assumptions, logical fallacies, distortions, appeals to bias or prejudice)
- ways of composing coherent essays that express positions on public issues that are supported by reasoned arguments and pertinent evidence
- interpretation of economic issues represented in graphic formats (e.g., charts, diagrams, maps, political cartoons, graphs) and selection of alternative graphic formats for conveying economic information
- reference sources used in economic research (e.g., almanacs, government reports, census data, balance of trade statistics, consumer confidence indexes)

**SAMPLE MULTIPLE-CHOICE TEST QUESTIONS**

1. Which of the following is the best example of marginal analysis?
  - A. comparing the costs and benefits of a proposed investment
  - B. estimating potential sales for a new product
  - C. determining the fixed costs for a new production facility
  - D. forecasting likely changes in major economic trends
2. Use the following scenario to answer the question that follows.

Two independently owned drug companies arrange to merge their businesses to form a single firm. Before they can do so, however, the merger must be approved by a government agency to ensure that it does not violate antitrust laws.

This scenario most likely took place in which of the following types of economic systems?

  - A. pure market economic system
  - B. command economic system
  - C. traditional economic system
  - D. mixed-market economic system
3. Which of the following concepts best explains the reasoning behind the core economic principle that voluntary trade creates wealth?
  - A. economies of scale
  - B. specialization
  - C. marginal efficiency of capital
  - D. capital mobility
4. A major limitation of gross domestic product (GDP) as a measure of a nation's economic performance is that it omits:
  - A. nonmarket activities.
  - B. inventory investment.
  - C. government purchases.
  - D. overseas transactions.
5. Which of the following is the best indication that the economy has entered the contraction phase of a business cycle?
  - A. a decline in business inventories
  - B. an increase in the time required to make deliveries
  - C. a rise in commodity prices
  - D. a reduction in the length of the average workweek

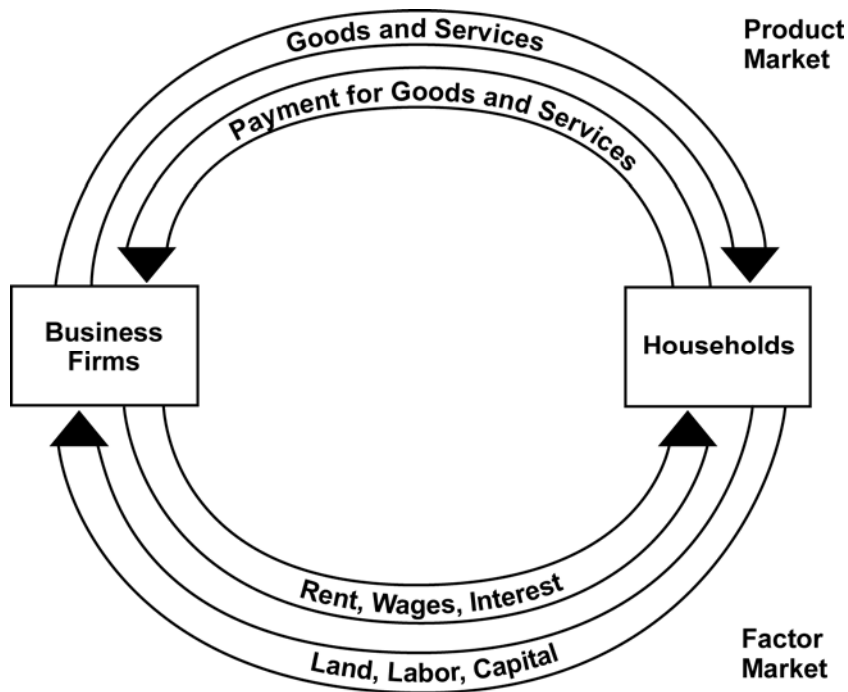
6. Arguments that reducing the tax burden on low-income households while raising rates on high-income households can stimulate demand are most often based on which of the following economic concepts?
- A. elasticity of demand
  - B. fine-tuning
  - C. marginal propensity to consume
  - D. allocative efficiency
7. The U.S. national debt can best be defined as the:
- A. total amount of money the United States owes to foreign governments.
  - B. difference between the nation's net exports and net imports over a given period of time.
  - C. sum of all previously incurred annual federal deficits.
  - D. difference between the assets and the liabilities of the U.S. government.
8. Comparative advantage can best be defined as the advantage to be derived from comparing the:
- A. human and physical capital of two countries.
  - B. level of economic development in two countries.
  - C. opportunity costs of production in two countries.
  - D. total imports and exports of two countries.
9. Which of the following best describes the main function of the World Trade Organization?
- A. to monitor economic changes resulting from the global exchange of goods and services
  - B. to remove obstacles to the global exchange of goods and services
  - C. to help ensure that all participants benefit from the global exchange of goods and services
  - D. to establish quality control standards for the global exchange of goods and services



10. The International Monetary Fund would likely be most active in efforts to resolve which of the following problems?
- A. an international debt crisis
  - B. a disruption of trading at major world stock exchanges
  - C. a multinational trade war
  - D. a corruption scandal involving major global banks
11. A developing country would most likely adopt an import substitution strategy to:
- A. attract foreign investment capital.
  - B. curb inflation.
  - C. promote competition in domestic markets.
  - D. develop domestic industries.
12. Individuals seeking to develop a personal investment philosophy should first:
- A. examine the investment practices of acquaintances.
  - B. familiarize themselves with the services offered by investment firms.
  - C. determine the amount of risk they believe they can handle.
  - D. calculate the likely return from various types of investments.
13. Personal budgets can best be used to achieve which of the following goals?
- A. keeping expenditures in line with income
  - B. establishing a good credit rating
  - C. maximizing purchasing power
  - D. improving one's standard of living
14. Which of the following statements best describes a major social consequence of industrialization in nineteenth-century Western Europe?
- A. Rural areas became more isolated.
  - B. Birth rates began to decline.
  - C. Urban areas became more socially homogeneous.
  - D. Men began to outlive women.

15. Which of the following statements best explains the importance of the Mississippi River to U.S. economic development during the early nineteenth century?
- A. Western exploration and settlement followed the course of major rivers.
  - B. River systems served as the primary means of transportation and commerce.
  - C. Growing urban centers required stable sources of fresh water.
  - D. Most agricultural production in the region took place on the fertile soils of floodplains.
16. Which of the following political ideas most influenced the development and implementation of mercantilist economic policies?
- A. Business monopolies were the primary threat to the authority of central governments.
  - B. Government had an obligation to promote the general welfare.
  - C. National power could be greatly expanded through the direction of economic activities.
  - D. Markets worked best when unimpeded by government authority.
17. Individuals seeking to establish a cause-and-effect relationship between the rise of capitalism and the development of representative government can best do so by focusing on which of the following features of free enterprise systems?
- A. protection of private property
  - B. production for profit
  - C. voluntary exchange of goods
  - D. competitive markets
18. An economics researcher would most likely use a pie chart to:
- A. show shifts in the investment priorities of a firm over the course of a quarter-century.
  - B. illustrate the work process in an automobile plant.
  - C. compare the gross domestic product of two countries over a period of three decades.
  - D. show the proportion of people employed in major sectors of a nation's economy.

Use the circular flowchart below to answer the two questions that follow.



19. The information in the circular flowchart best illustrates which of the following features of the U.S. economy?
- the effect of incentives on economic activity
  - the operation of mixed markets
  - the influence of scarcity on economic decisions
  - the voluntary exchange of goods and services
20. Government purchases of airplanes would initially affect which of the following?
- Goods and Services
  - Payment for Goods and Services
  - Rent, Wages, Interest
  - Land, Labor, Capital



**ANSWER KEY FOR THE SAMPLE MULTIPLE-CHOICE TEST QUESTIONS**

<b>Item Number</b>	<b>Correct Response</b>	<b>Objective</b>
1.	<b>A</b>	Understand economic terms, concepts, and systems.
2.	<b>D</b>	Understand economic terms, concepts, and systems.
3.	<b>B</b>	Understand economic terms, concepts, and systems.
4.	<b>A</b>	Understand the national economy.
5.	<b>D</b>	Understand the national economy.
6.	<b>C</b>	Understand fiscal and monetary policy.
7.	<b>C</b>	Understand fiscal and monetary policy.
8.	<b>C</b>	Understand international trade.
9.	<b>B</b>	Understand international trade.
10.	<b>A</b>	Understand international development.
11.	<b>D</b>	Understand international development.
12.	<b>C</b>	Understand principles and practices related to consumer economics and personal finance.
13.	<b>A</b>	Understand principles and practices related to consumer economics and personal finance.
14.	<b>B</b>	Understand the relationship between history and economics.
15.	<b>B</b>	Understand the relationship between geography and economics.
16.	<b>C</b>	Understand the relationship between political science and economics.
17.	<b>A</b>	Understand the relationship between political science and economics.
18.	<b>D</b>	Understand core democratic values, recognize the rights and responsibilities of citizenship in a democratic society, and apply methods for analyzing public policy questions.
19.	<b>D</b>	Understand the market economy.
20.	<b>B</b>	Understand the market economy.