Welcome to The Praxis™ Study Companion

Prepare to Show What You Know

You have gained the knowledge and skills you need for your teaching career. Now you are ready to demonstrate your abilities by taking a Praxis™ test.

Using The Praxis Study Companion is a smart way to prepare for the test so you can do your best on test day. This guide can help keep you on track and make the most efficient use of your study time.

The Study Companion contains practical information and helpful tools including:

- An overview of the tests
- Specific information on the Praxis test you are taking
- A template study plan
- Practice questions and explanations of correct answers
- Test-taking tips and strategies
- Frequently asked questions
- Links to more detailed information

So where should you start? Begin by reviewing this guide in its entirety and note those sections that you need to revisit. Then you can create your own personalized study plan and schedule based on your individual needs and how much time you have before test day.

Keep in mind that study habits are individual. There are many different ways to successfully prepare for your test. Some people study better on their own, while others prefer a group dynamic. You may have more energy early in the day, but another test taker may concentrate better in the evening. So use this guide to develop the approach that works best for you.

Your teaching career begins with preparation. Good luck!
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1. Know What to Expect

Familiarize yourself with the Praxis tests so you know what to expect

Which test should I take?
Each state or agency that uses the Praxis tests sets its own requirements for which test or tests you must take for the teaching area you wish to pursue.

Before you register for a test, confirm your state or agency’s testing requirements at www.ets.org/praxis/states.

How are the Praxis tests given?
Praxis tests are given in both computer and paper formats. Note: Not all Praxis tests are offered in both formats.

Should I take the computer- or paper-delivered test?
You should take the test in whichever format you are most comfortable. Some test takers prefer taking a paper-and-pencil test, while others are more comfortable on a computer. Please note that not all tests are available in both formats.

If I’m taking more than one Praxis test, do I have to take them all in the same format?
No. You can take each test in the format in which you are most comfortable.

Is there a difference between the subject matter covered on the computer-delivered test and the paper-delivered test?
No. The computer-delivered test and paper-delivered test cover the same content.

Where and when are the Praxis tests offered?
You can select the test center that is most convenient for you. The Praxis tests are administered through an international network of test centers, which includes some universities, high schools, Prometric® Testing Centers, and other locations throughout the world.

Testing schedules depend on whether you are taking computer-delivered tests or paper-delivered tests. See the Praxis website for more detailed test registration information at www.ets.org/praxis/register.
2. Familiarize Yourself with Test Questions

Become comfortable with the types of questions you’ll find on the Praxis tests

The Praxis tests include two types of questions — multiple-choice (for which you select your answers from a list of choices) and constructed-response (for which you write a response of your own). You may be familiar with these question formats from taking other standardized tests. If not, familiarize yourself with them so you don’t spend time during the test figuring out how to answer them.

Understanding Multiple-choice Questions

Many multiple-choice questions begin with the phrase “which of the following.” Take a look at this example:

Which of the following is a flavor made from beans?
(A) Strawberry
(B) Cherry
(C) Vanilla
(D) Mint

How would you answer this question?

All of the answer choices are flavors. Your job is to decide which of the flavors is the one made from beans.

Try following these steps to select the correct answer.

1) **Limit your answer to one of the choices given.** You may know that chocolate and coffee are also flavors made from beans, but they are not listed. Rather than thinking of other possible answers, focus only on the choices given (“which of the following”).

2) **Eliminate incorrect answers.** You may know that strawberry and cherry flavors are made from fruit and that mint flavor is made from a plant. That leaves vanilla as the only possible answer.

3) **Verify your answer.** You can substitute “vanilla” for the phrase “which of the following” and turn the question into this statement: “Vanilla is a flavor made from beans.” This will help you be sure that your answer is correct. If you’re still uncertain, try substituting the other choices to see if they make sense. You may want to use this technique as you answer multiple-choice questions on the practice tests.
Try a more challenging example

The vanilla bean question is pretty straightforward, but you'll find that more challenging questions have a similar structure. For example:

Entries in outlines are generally arranged according to which of the following relationships of ideas?
(A) Literal and inferential
(B) Concrete and abstract
(C) Linear and recursive
(D) Main and subordinate

You'll notice that this example also contains the phrase “which of the following.” This phrase helps you determine that your answer will be a “relationship of ideas” from the choices provided. You are supposed to find the choice that describes how entries, or ideas, in outlines are related.

Sometimes it helps to put the question in your own words. Here, you could paraphrase the question in this way: “How are outlines usually organized?” Since the ideas in outlines usually appear as main ideas and subordinate ideas, the answer is (D).

**QUICK TIP:** Don't be intimidated by words you may not understand. It might be easy to be thrown by words like “recursive” or “inferential.” Read carefully to understand the question and look for an answer that fits. An outline is something you are probably familiar with and expect to teach to your students. So slow down, and use what you know.

Watch out for multiple-choice questions containing “NOT,” “LEAST,” and “EXCEPT.”

This type of question asks you to select the choice that does not fit. You must be very careful because it is easy to forget that you are selecting the negative. This question type is used in situations in which there are several good solutions or ways to approach something, but also a clearly wrong way.

**How to approach questions about graphs, tables, or reading passages**

When answering questions about tables, graphs, or reading passages, provide only the information that the question asks for. In the case of a map or graph, you might want to read the questions first, and then look at the map or graph. In the case of a long reading passage, you might want to go ahead and read the passage, marking places you think are important, and then answer the questions. Again, the important thing is to be sure you answer the question as it refers to the material presented. So read the question carefully.

**How to approach unfamiliar formats**

New question formats are developed from time to time to find new ways of assessing knowledge. If you see a format you are not familiar with, read the directions carefully. Then read and approach the question the way you would any other question, asking yourself what you are supposed to be looking for, and what details are given in the question that help you find the answer.

Here is an example of a format you might not have encountered before:

**Directions:** The following question asks you to analyze teacher goals and actions intended to lead to the achievement of the goal. Decide whether the action makes it likely or unlikely to lead to the achievement of the goal.
Step 2: Familiarize Yourself with Test Questions

**GOAL:** To increase the participation of low-achieving middle-school students in whole-class discussions.

**ACTION:** Instead of asking for volunteers, the teacher randomly calls on students to discuss homework assignments.

(A) Likely, because students who feel anxiety about being called on will be more at ease and will pay more attention to class discussion.

(B) Likely, because low-achieving students often hesitate to volunteer and random questioning will increase responses from these students.

(C) Unlikely, because students in the middle-school grades prefer to have a choice in responding to discussions.

(D) Unlikely, because students’ positive feelings toward the teacher will decrease.

To answer this question correctly you must read the directions, which explain how the paragraph marked “GOAL,” the paragraph marked “ACTION” and the answer choices fit together. The answer is (B) because it is the only action that is both “likely” to be successful and “likely” to be the right reason. To answer this question, first decide whether or not the action was likely to achieve the desired goal. Then select the reason. This two-part selection process brings you to your answer.

**QUICK TIP:** Don’t make the questions more difficult than they are. Don’t read for “hidden meanings” or “tricks.” There are no “trick questions” on Praxis tests. They are intended to be serious, straightforward tests of your knowledge.

Understanding Constructed-response Questions

Constructed-response questions require you to demonstrate your knowledge in a subject area by providing in-depth explanations on particular topics. Essay and problem-solving are types of constructed-response questions.

For example, an essay question might present you with a topic and ask you to discuss the extent to which you agree or disagree with the opinion stated. You must support your position with specific reasons and examples from your own experience, observations, or reading.

Take a look at a few sample essay topics:

- “Celebrities have a tremendous influence on the young, and for that reason, they have a responsibility to act as role models.”
- “We are constantly bombarded by advertisements—on television and radio, in newspapers and magazines, on highway signs and the sides of buses. They have become too pervasive. It’s time to put limits on advertising.”
- “Advances in computer technology have made the classroom unnecessary, since students and teachers are able to communicate with each other from computer terminals at home or at work.”

A problem-solving question might ask you to solve a mathematics problem such as the one below and show how you arrived at your solution:

a) In how many different ways can 700 be expressed as the product of two positive integers? Show how you arrived at your answer.

b) Among all pairs of positive integers whose product is 700, which pair has the maximum greatest common divisor? Explain how you arrived at your answer.
Keep these things in mind when you respond to a constructed-response question

1) **Answer the question accurately.** Analyze what each part of the question is asking you to do. If the question asks you to describe or discuss, you should provide more than just a list.

2) **Answer the question completely.** If a question asks you to do three distinct things in your response, you should cover all three things for the best score. Otherwise, no matter how well you write, you will not be awarded full credit.

3) **Answer the question that is asked.** Do not change the question or challenge the basis of the question. You will receive no credit or a low score if you answer another question or if you state, for example, that there is no possible answer.

4) **Give a thorough and detailed response.** You must demonstrate that you have a thorough understanding of the subject matter. However, your response should be straightforward and not filled with unnecessary information.

5) **Reread your response.** Check that you have written what you thought you wrote. Be sure not to leave sentences unfinished or omit clarifying information.

**QUICK TIP:** You may find that it helps to circle each of the details of the question in your test book or take notes on scratch paper so that you don’t miss any of them. Then you’ll be sure to have all the information you need to answer the question.

For more detailed information on constructed-response scoring, see the Scoring Guide in the Test at a Glance section.
3. Understand Your Scores

Understand how tests are scored and how to interpret your test scores

Of course, passing the Praxis test is important to you so you need to understand what those scores mean and what your state requirements are.

What are the score requirements for my state?

States, institutions, and associations that require the tests set their own passing scores. Visit www.ets.org/praxis/states for the most up-to-date information.

If I move to another state, will my new state accept my scores?

The Praxis Series tests are part of a national testing program, meaning that they are required in more than one state for licensure. The advantage of a national program is that if you move to another state that also requires Praxis tests, you can transfer your scores. Each state has specific test requirements and passing scores that you can find at www.ets.org/praxis/states.

How do I know if I passed the test?

You will receive passing score information on your score report for the score recipients that you listed when you registered. If you test in a state with automatic score reporting, you will receive passing score information for that state.

A list of states and their passing scores for each test are available online at www.ets.org/praxis/states.

What your Praxis scores mean

You received your score report. Now what does it mean? It’s important to interpret your score report correctly and to know what to do if you have questions about your scores.

Visit http://www.ets.org/s/praxis/pdf/sample_score_report.pdf to see a sample score report. To access Understanding Your Praxis Scores, a document which provides additional information on how to read your score report, visit www.ets.org/praxis/scores/understand.

Put your scores in perspective

Your score report indicates:

- Your score and whether you passed
- The range of possible scores
- The raw points available in each content category
- The range of the middle 50 percent of scores on the test
- Your Recognition of Excellence (ROE) Award status, if applicable (found at www.ets.org/praxis/scores/understand/roe)

If you have taken the same test or other tests in The Praxis Series over the last 10 years, your score report also lists the highest score you earned on each test taken.
Content category scores and score interpretation

On many of the Praxis tests, questions are grouped into content categories. To help you in future study or in preparing to retake the test, your score report shows how many “raw points” you earned in each content category. Compare your “raw points earned” with the maximum points you could have earned (“raw points available”). The greater the difference, the greater the opportunity to improve your score by further study.

Score scale changes

ETS updates Praxis tests on a regular basis to ensure they accurately measure the knowledge and skills that are required for licensure. Updated tests cover the same content as the previous tests. However, scores might be reported on a different scale, so requirements may vary between the new and previous versions. All scores for previous, discontinued tests are valid and reportable for 10 years.

These resources may also help you interpret your scores:

- Understanding Your Praxis Scores (PDF), found at www.ets.org/praxis/scores/understand
- The Praxis Series Passing Scores (PDF), found at www.ets.org/praxis/scores/understand
- State requirements, found at www.ets.org/praxis/states
4. Learn About Your Test

Learn about the specific test you will be taking

Economics (0911)

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<tr>
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<tr>
<td>Format</td>
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<td>Test Delivery</td>
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Test at a Glance

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<th>Approximate Number of Questions</th>
<th>Approximate Percentage of Examination</th>
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<td>I. Fundamental Economic Concepts</td>
<td>22</td>
<td>20%</td>
</tr>
<tr>
<td>II. Microeconomics</td>
<td>49</td>
<td>45%</td>
</tr>
<tr>
<td>III. Macroeconomics</td>
<td>39</td>
<td>35%</td>
</tr>
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About This Test

The Economics test is designed for candidates who want to become high school economics teachers. The test focuses on the knowledge and skills a teacher must have to successfully teach economics. The Economics test measures whether entry-level educators have the relevant knowledge, skills, and abilities believed necessary for competent professional practice.

The test covers three major content categories: fundamental economic concepts, microeconomics, and macroeconomics. The test is 120 minutes long and contains 110 multiple-choice questions. For each question, the test taker is to select only one answer choice from a list of four choices. Use of calculators is not allowed.

This test may contain some questions that will not count toward your score.
Topics Covered
Representative descriptions of topics covered in each category are provided below.

I. Fundamental Economic Concepts

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
      – 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

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

A. Supply and Demand

1. Knows the definition of a market and the role of incentives
   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**
   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
   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

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

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

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
    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
   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

III. Macroeconomics

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

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
    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
   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
   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

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

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
5. Determine Your Strategy for Success

*Set clear goals and deadlines so your test preparation is focused and efficient*

Effective Praxis test preparation doesn't just happen. You'll want to set clear goals and deadlines for yourself along the way. Otherwise, you may not feel ready and confident on test day.

1) Learn what the test covers.

You may have heard that there are several different versions of the same test. It's true. You may take one version of the test and your friend may take a different version a few months later. Each test has different questions covering the same subject area, but both versions of the test measure the same skills and content knowledge.

You'll find specific information on the test you’re taking in the Test at a Glance section, which outlines the content categories that the test measures and what percentage of the test covers each topic. Visit [www.ets.org/praxis/testprep](http://www.ets.org/praxis/testprep) for information on other Praxis tests.

2) Assess how well you know the content.

Research shows that test takers tend to overestimate their preparedness—this is why some test takers assume they did well and then find out they did not pass.

The Praxis tests are demanding enough to require serious review of likely content, and the longer you've been away from the content the more preparation you will most likely need. If it has been longer than a few months since you've studied your content area, make a concerted effort to prepare.

3) Collect study materials.

Gathering and organizing your materials for review are critical steps in preparing for the Praxis tests. Consider the following reference sources as you plan your study:

- Did you take a course in which the content area was covered? If yes, do you still have your books or your notes?
- Does your college library have a good introductory college-level textbook in this area?
- Does your local library have a high school-level textbook?

Study guides are available for purchase for many Praxis tests at [www.ets.org/praxis/testprep](http://www.ets.org/praxis/testprep). Each guide provides a combination of test preparation and practice, including sample questions and answers with explanations.

4) Plan and organize your time.

You can begin to plan and organize your time while you are still collecting materials. Allow yourself plenty of review time to avoid cramming new material at the end. Here are a few tips:

- Choose a test date far enough in the future to leave you plenty of preparation time at [www.ets.org/praxis/register/centers_dates](http://www.ets.org/praxis/register/centers_dates).
- Work backward from that date to figure out how much time you will need for review.
- Set a realistic schedule—and stick to it.
5) **Practice explaining the key concepts.**

*Praxis* tests with constructed-response questions assess your ability to explain material effectively. As a teacher, you'll need to be able to explain concepts and processes to students in a clear, understandable way. What are the major concepts you will be required to teach? Can you explain them in your own words accurately, completely, and clearly? Practice explaining these concepts to test your ability to effectively explain what you know.

6) **Understand how questions will be scored.**

Scoring information can be found in the Learn About Your Test section on page 11.

7) **Develop a study plan.**

A study plan provides a roadmap to prepare for the *Praxis* tests. It can help you understand what skills and knowledge are covered on the test and where to focus your attention. Use the study plan template on page 21 to organize your efforts.

And most important—get started!

**Would a Study Group Work for You?**

**Using this guide as part of a study group**

People who have a lot of studying to do sometimes find it helpful to form a study group with others who are working toward the same goal. Study groups give members opportunities to ask questions and get detailed answers. In a group, some members usually have a better understanding of certain topics, while others in the group may be better at other topics. As members take turns explaining concepts to each other, everyone builds self-confidence.

If the group encounters a question that none of the members can answer well, the group can go to a teacher or other expert and get answers efficiently. Because study groups schedule regular meetings, members study in a more disciplined fashion. They also gain emotional support. The group should be large enough so that multiple people can contribute different kinds of knowledge, but small enough so that it stays focused. Often, three to six members is a good size.

Here are some ways to use this guide as part of a study group:

- **Plan the group’s study program.** Parts of the study plan template on page 21 can help to structure your group’s study program. By filling out the first five columns and sharing the worksheets, everyone will learn more about your group’s mix of abilities and about the resources, such as textbooks, that members can share with the group. In the sixth column (“Dates planned for study of content”), you can create an overall schedule for your group’s study program.

- **Plan individual group sessions.** At the end of each session, the group should decide what specific topics will be covered at the next meeting and who will present each topic. Use the topic headings and subheadings in the Test at a Glance on page 12 to select topics and then select practice questions, beginning on page 27.

- **Prepare your presentation for the group.** When it’s your turn to present, prepare something that is more than a lecture. Write two or three original questions to pose to the group. Practicing writing actual questions can help you better understand the topics covered on the test as well as the types of questions you will encounter on the test. It will also give other members of the group extra practice at answering questions.
Step 5: Determine Your Strategy for Success

• **Take the practice test together.** The idea of the practice test is to simulate an actual administration of the test, so scheduling a test session with the group will add to the realism and may also help boost everyone’s confidence. Remember, complete the practice test using only the time that will be allotted for that test on your administration day.

• **Learn from the results of the practice test.** Score each other’s answer sheets. For the constructed-response questions, look at the Sample Test Questions, which also contain sample responses to those questions and shows how they were scored. Then try to follow the same guidelines that the test scorers use.

• **Be as critical as you can.** You’re not doing your study partner(s) any favors by letting them get away with an answer that does not cover all parts of the question adequately.

• **Be specific.** Write comments that are as detailed as the comments about the sample responses. Indicate where and how your study partner(s) are doing an inadequate job of answering the question. Writing notes in the margins of the answer sheet may also help.

• **Be supportive.** Include comments that point out what your study partner(s) got right and therefore earned points.

Then plan one or more study sessions based on aspects of the questions on which group members performed poorly. For example, each group member might be responsible for rewriting one paragraph of a response in which someone else did an inadequate job.

Whether you decide to study alone or with a group, remember that the best way to prepare is to have an organized plan. The plan should set goals based on specific topics and skills that you need to learn, and it should commit you to a realistic set of deadlines for meeting these goals. Then you need to discipline yourself to stick with your plan and accomplish your goals on schedule.
6. Develop Your Study Plan

*Develop a personalized study plan and schedule*

Planning your study time is important because it will help ensure that you review all content areas covered on the test. Use the sample study plan below as a guide. It shows a plan for the *Praxis I Pre-Professional Skills Test: Reading* test. Following that is a study plan template that you can fill out to create your own plan. Use the Test at a Glance and Topics Covered information beginning on page 11 to help complete it.

**Use this worksheet to:**
1. **Define Content Areas:** List the most important content areas for your test as defined in the Test at a Glance and Topics Covered sections.
2. **Determine Strengths and Weaknesses:** Identify your strengths and weaknesses in each content area.
3. **Identify Resources:** Identify the books, courses, and other resources you plan to use for each content area.
4. **Study:** Create and commit to a schedule that provides for regular study periods.

<table>
<thead>
<tr>
<th>Praxis Test Name:</th>
<th>Praxis I Pre-Professional Skills Test: Reading</th>
<th>Praxis Test Code:</th>
<th>0710</th>
<th>Test Date:</th>
<th>11/15/12</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Content covered</strong></td>
<td><strong>Description of content</strong></td>
<td><strong>How well do I know the content? (scale 1–5)</strong></td>
<td><strong>What resources do I have/need for this content?</strong></td>
<td><strong>Where can I find the resources I need?</strong></td>
<td><strong>Dates I will study this content</strong></td>
</tr>
<tr>
<td>Literal Comprehension</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Main Ideas</td>
<td>Identify summaries or paraphrases of main idea or primary purpose of reading selection</td>
<td>2</td>
<td>Middle school English text book</td>
<td>College library, middle school teacher</td>
<td>9/15/12</td>
</tr>
<tr>
<td>Supporting Ideas</td>
<td>Identify summaries or paraphrases of supporting ideas and specific details in reading selection</td>
<td>2</td>
<td>Middle school English text book</td>
<td>College library, middle school teacher</td>
<td>9/17/12</td>
</tr>
<tr>
<td>Organization</td>
<td>Identify how reading selection is organized in terms of cause/effect and compare/contrast</td>
<td>3</td>
<td>Middle and high school English text book</td>
<td>College library, middle and high school teachers</td>
<td>9/20/12</td>
</tr>
<tr>
<td>Organization</td>
<td>Identify key transition words/phrases in reading selection and how used</td>
<td>4</td>
<td>Middle and high school English text book</td>
<td>College library, middle and high school teachers</td>
<td>9/25/12</td>
</tr>
<tr>
<td>Vocabulary in Context</td>
<td>Identify meanings of words as used in context of reading selection</td>
<td>3</td>
<td>Middle and high school English text book, dictionary</td>
<td>College library, middle and high school teachers</td>
<td>9/25/12</td>
</tr>
</tbody>
</table>

(continued on next page)
### Critical and Inferential Comprehension

<table>
<thead>
<tr>
<th>Content covered</th>
<th>Description of content</th>
<th>How well do I know the content? (scale 1–5)</th>
<th>What resources do I have/need for this content?</th>
<th>Where can I find the resources I need?</th>
<th>Dates I will study this content</th>
<th>Date completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluation</td>
<td>Determine whether evidence strengthens, weakens, or is relevant to arguments in reading selection</td>
<td>5</td>
<td>High school textbook, college course notes</td>
<td>College library, course notes, high school teacher, college professor</td>
<td>10/1/12</td>
<td>10/1/12</td>
</tr>
<tr>
<td>Evaluation</td>
<td>Determine role that an idea, reference, or piece of information plays in author’s discussion/argument</td>
<td>5</td>
<td>High school textbook, college course notes</td>
<td>College library, course notes, high school teacher, college professor</td>
<td>10/1/12</td>
<td>10/1/12</td>
</tr>
<tr>
<td>Evaluation</td>
<td>Determine if information presented is fact or opinion</td>
<td>4</td>
<td>High school textbook, college course notes</td>
<td>College library, course notes, high school teacher, college professor</td>
<td>10/1/12</td>
<td>10/1/12</td>
</tr>
<tr>
<td>Evaluation</td>
<td>Identify relationship among ideas presented in reading selection</td>
<td>2</td>
<td>High school textbook, college course notes</td>
<td>College library, course notes, high school teacher, college professor</td>
<td>10/1/12</td>
<td>10/1/12</td>
</tr>
<tr>
<td>Inferential Reasoning</td>
<td>Draw inferences/implications from directly stated content of reading selection</td>
<td>3</td>
<td>High school textbook, college course notes</td>
<td>College library, course notes, high school teacher, college professor</td>
<td>10/8/12</td>
<td>10/8/12</td>
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<tr>
<td>Inferential Reasoning</td>
<td>Determine logical assumptions on which argument or conclusion is based</td>
<td>2</td>
<td>High school textbook, college course notes</td>
<td>College library, course notes, high school teacher, college professor</td>
<td>10/8/12</td>
<td>10/8/12</td>
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<tr>
<td>Inferential Reasoning</td>
<td>Determine author’s attitude toward materials discussed in reading selection</td>
<td>1</td>
<td>High school textbook, college course notes</td>
<td>College library, course notes, high school teacher, college professor</td>
<td>10/15/12</td>
<td>10/17/12</td>
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<tr>
<td>Generalization</td>
<td>Recognize or predict ideas/situations that are extensions of, or similar to, what has been presented in reading selection</td>
<td>2</td>
<td>High school textbook, college course notes</td>
<td>College library, course notes, high school teacher, college professor</td>
<td>10/22/12</td>
<td>10/24/12</td>
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<tr>
<td>Generalization</td>
<td>Draw conclusions from materials presented in reading selection</td>
<td>3</td>
<td>High school textbook, college course notes</td>
<td>College library, course notes, high school teacher, college professor</td>
<td>10/24/12</td>
<td>10/24/12</td>
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<tr>
<td>Generalization</td>
<td>Apply ideas presented in a reading selection to other situations</td>
<td>3</td>
<td>High school textbook, college course notes</td>
<td>College library, course notes, high school teacher, college professor</td>
<td>10/27/12</td>
<td>10/27/12</td>
</tr>
</tbody>
</table>
# My Study Plan

Use this worksheet to:

1. **Define Content Areas:** List the most important content areas for your test as defined in the Test at a Glance and Topics Covered sections.
2. **Determine Strengths and Weaknesses:** Identify your strengths and weaknesses in each content area.
3. **Identify Resources:** Identify the books, courses, and other resources you plan to use for each content area.
4. **Study:** Create and commit to a schedule that provides for regular study periods.

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| (continued on next page)
### Step 6: Develop Your Study Plan

<table>
<thead>
<tr>
<th>Content covered</th>
<th>Description of content</th>
<th>How well do I know the content? (scale 1–5)</th>
<th>What resources do I have/need for this content?</th>
<th>Where can I find the resources I need?</th>
<th>Dates I will study this content</th>
<th>Date completed</th>
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</table>
7. Review Smart Tips for Success

Follow test-taking tips developed by experts

Learn from the experts. Take advantage of these answers to questions you may have and practical tips to help you navigate the Praxis test and make the best use of your time.

Should I Guess?
Yes. Your score is based on the number of questions you answer correctly, with no penalty or subtraction for an incorrect answer. When you don't know the answer to a question, try to eliminate any obviously wrong answers and then guess at the correct one. Try to pace yourself so that you have enough time to carefully consider every question.

Can I answer the questions in any order?
Yes. You can go through the questions from beginning to end, as many test takers do, or you can create your own path. Perhaps you will want to answer questions in your strongest area of knowledge first and then move from your strengths to your weaker areas. On computer-delivered tests, you can use the “Skip” function to skip a question and come back to it later. There is no right or wrong way. Use the approach that works best for you.

Are there trick questions on the test?
No. There are no hidden meanings or trick wording. All of the questions on the test ask about subject matter knowledge in a straightforward manner.

Are there answer patterns on the test?
No. You might have heard this myth: the answers on multiple-choice tests follow patterns. Another myth is that there will never be more than two questions with the same lettered answer following each other. Neither myth is true. Select the answer you think is correct based on your knowledge of the subject.

Can I write in the test booklet or, for a computer-delivered test, on the scratch paper I am given?
Yes. You can work out problems right on the pages of the booklet or scratch paper, make notes to yourself, mark questions you want to review later or write anything at all. Your test booklet or scratch paper will be destroyed after you are finished with it, so use it in any way that is helpful to you. But make sure to mark your answers on the answer sheet or enter them on the computer.

Smart Tips for Taking the Test

1. For a paper-delivered test, put your answers in the right “bubbles.” It seems obvious, but be sure that you fill in the answer “bubble” that corresponds to the question you are answering. A significant number of test takers fill in a bubble without checking to see that the number matches the question they are answering.

2. Skip the questions you find extremely difficult. Rather than trying to answer these on your first pass through the test, leave them blank and mark them in your test booklet. Pay attention to the time as you answer the rest of the questions on the test, and try to finish with 10 or 15 minutes remaining so that you
can go back over the questions you left blank. Even if you don't know the answer the second time you read the questions, see if you can narrow down the possible answers, and then guess.

3. **Keep track of the time.** Bring a watch to the test, just in case the clock in the test room is difficult for you to see. Keep the watch as simple as possible—alarms and other functions may distract others or may violate test security. If the test center supervisor suspects there could be an issue with your watch, they will ask you to remove it, so simpler is better! You will probably have plenty of time to answer all of the questions, but if you find yourself becoming bogged down in one section, you might decide to move on and come back to that section later.

4. **Read all of the possible answers before selecting one.** Then reread the question to be sure the answer you have selected really answers the question. Remember, a question that contains a phrase such as “Which of the following does NOT …” is asking for the one answer that is NOT a correct statement or conclusion.

5. **Check your answers.** If you have extra time left over at the end of the test, look over each question and make sure that you have answered it as you intended. Many test takers make careless mistakes that they could have corrected if they had checked their answers.

6. **Don’t worry about your score when you are taking the test.** No one is expected to answer all of the questions correctly. Your score on this test is not analogous to your score on the GRE® or other similar-looking (but in fact very different) tests. It doesn’t matter on the Praxis tests whether you score very high or barely pass. If you meet the minimum passing scores for your state and you meet the state’s other requirements for obtaining a teaching license, you will receive a license. In other words, what matters is meeting the minimum passing score. You can find passing scores for all states that use The Praxis Series tests at [http://www.ets.org/s/praxis/pdf/passing_scores.pdf](http://www.ets.org/s/praxis/pdf/passing_scores.pdf) or on the website of the state for which you are seeking certification/licensure.

7. **Use your energy to take the test, not to get angry at it.** Getting angry at the test only increases stress and decreases the likelihood that you will do your best. Highly qualified educators and test development professionals, all with backgrounds in teaching, worked diligently to make the test a fair and valid measure of your knowledge and skills. Your state painstakingly reviewed the test before adopting it as a licensure requirement. The best thing to do is concentrate on answering the questions.
8. Practice with Sample Test Questions

Answer practice questions and find explanations for correct answers

Sample Test Questions

The sample questions that follow illustrate the kinds of questions you will find on the test. They are not, however, representative of the entire scope of the test in either content or difficulty. Answers with explanations follow the questions.

Directions: Each of the questions or statements below is followed by four suggested answers or completions. Select the one that is best in each case.

Questions 1–2 are based on the diagram below that shows the demand and supply curves for leather garments.

1. Assume that a leather garment is a normal good. An increase in the price of leather and a simultaneous increase in consumers' incomes will most likely have which of the following effects on the equilibrium price and quantity of leather garments?

   (A) Increase Increase
   (B) Increase Indeterminate
   (C) Indeterminate Decrease
   (D) Decrease Decrease

2. If the government places a price ceiling on leather garments that is below the equilibrium price, which of the following will occur in the market for leather garments?

   (A) There will be a shortage.
   (B) There will be a surplus.
   (C) The demand curve for leather garments will shift leftward.
   (D) The supply curve for leather garments will shift rightward.

3. The profit-maximizing price and quantity for the firm whose cost and revenue curves are shown above will be which of the following?

<table>
<thead>
<tr>
<th>Price</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A) P₁</td>
<td>Q₂</td>
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<tr>
<td>(B) P₂</td>
<td>Q₁</td>
</tr>
<tr>
<td>(C) P₂</td>
<td>Q₂</td>
</tr>
<tr>
<td>(D) P₂</td>
<td>Q₃</td>
</tr>
</tbody>
</table>
4. The marginal propensity to consume is the ratio of
   (A) total consumption to total disposable income
   (B) a change in consumption to the change in disposable income
   (C) a change in equilibrium income to the change in investment spending
   (D) equilibrium income to total consumption

5. In a command economy, resource allocation is managed primarily by
   (A) large corporations
   (B) labor unions
   (C) competitive markets
   (D) central planning

6. When the opportunity cost ratios for two individuals performing particular tasks differ, a basis for specialization and mutually beneficial trade exists. The specialization will be based on which of the following?
   (A) Comparative advantage
   (B) Absolute advantage
   (C) Price elasticity
   (D) Market equilibrium

7. Which of the following types of inflation would result if the price level rose because of an increase in the price of raw materials?
   (A) Deflation
   (B) Hyperinflation
   (C) Demand-pull inflation
   (D) Cost-push inflation

8. Real gross domestic product (GDP) is defined as the ratio of nominal GDP to the
   (A) money supply
   (B) unemployment rate
   (C) government’s budget deficit
   (D) GDP deflator

9. The Federal Reserve’s primary policy tools include all of the following EXCEPT
   (A) conducting open-market operations
   (B) borrowing from foreign governments
   (C) changing the discount rate
   (D) setting reserve requirements

10. For an economy that is in a recession, the actual unemployment rate is
    (A) equal to the natural rate of unemployment
    (B) less than the natural rate of unemployment
    (C) greater than the natural rate of unemployment
    (D) less than the growth rate of the economy

11. During a recession, an appropriate fiscal policy would be
    (A) an increase in taxes
    (B) an increase in government spending
    (C) a decrease in the reserve requirement
    (D) a decrease in the discount rate
12. The diagram above shows the production possibilities curve for an economy. Which of the following is true if the economy is currently producing at point E?

(A) It is producing the maximum possible output given the scarcity of resources.
(B) It is devoting more of its resources to producing Good Y.
(C) It is not using its resources fully and efficiently.
(D) It can increase the production of Good X only if it decreases the production of Good Y.

13. If consumers in the United States increased their demands for imports over domestically produced goods, the international value of the United States dollar and United States exports will most likely change in which of the following ways?

<table>
<thead>
<tr>
<th>International Value of the Dollar</th>
<th>Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A) Appreciate</td>
<td>Increase</td>
</tr>
<tr>
<td>(B) Appreciate</td>
<td>Decrease</td>
</tr>
<tr>
<td>(C) Depreciate</td>
<td>Increase</td>
</tr>
<tr>
<td>(D) Depreciate</td>
<td>Decrease</td>
</tr>
</tbody>
</table>

14. Carmen consumes only two goods: X and Y. She spends her entire weekly income on goods X and Y. At her current consumption level of the two goods, the marginal utility of the last dollar she spent on good X is 5 and the marginal utility of the last dollar she spent on good Y is 10. To maximize her utility, Carmen should

(A) maintain her current consumption level of the two goods
(B) buy fewer units of X and more units of Y
(C) buy fewer units of Y and more units of X
(D) buy fewer units of both X and Y

Questions 15-16 are based on the following information.

Assume that the required reserve ratio is 20 percent and that a bank is currently fully loaned up. The bank receives a cash deposit of $500 from a new customer.

15. The bank is legally required to

(A) keep 20 percent of the $500 as reserves
(B) keep 80 percent of the $500 as reserves
(C) lend 20 percent of the $500 and keep the rest as reserves
(D) send 80 percent of the $500 to the Federal Reserve Bank

16. The maximum increase in the money supply that can be generated from the deposit in the banking system is

(A) $400
(B) $500
(C) $2,000
(D) $2,500
17. In the circular flow model of a market economy, which of the following describes the roles of firms and households in the product markets and in the factor markets?

<table>
<thead>
<tr>
<th>Product Markets</th>
<th>Factor Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A) Firms sell goods to households.</td>
<td>Firms sell resources to households.</td>
</tr>
<tr>
<td>(B) Firms sell goods to households.</td>
<td>Firms buy resources from households.</td>
</tr>
<tr>
<td>(C) Firms buy goods from households.</td>
<td>Firms buy resources from households.</td>
</tr>
<tr>
<td>(D) Firms buy goods from households.</td>
<td>Firms sell resources to households.</td>
</tr>
</tbody>
</table>

18. Which of the following is the best example of a fixed cost for a bakery?

(A) Monthly rental payments on the building it occupies
(B) The cost of flour and sugar
(C) Wage payments to its workers
(D) Fuel costs for operating its delivery trucks

19. Which of the following is NOT true about a monopoly?

(A) It is the only firm selling a particular product.
(B) It has a downward-sloping demand curve.
(C) Its primary goal is to maximize profit.
(D) It charges a price below average variable cost to maximize profit.

20. The demand for labor is called derived demand because it is

(A) dependant on the demand for the final product that the labor is used to produce
(B) inversely related to the wage rate
(C) dependant on the availability of capital goods
(D) directly related to the marginal utility of working

21. The primary purpose of antitrust laws is to

(A) help businesses that are in financial trouble
(B) encourage business investment
(C) prevent business behavior that hampers competition
(D) establish trust between government and businesses

22. When the production of a good generates negative externalities, the private market will

(A) overproduce the good relative to the socially optimal level of output
(B) underproduce the good relative to the socially optimal level of output
(C) compensate the third parties harmed by the negative externality
(D) charge lower than the market equilibrium price to compensate for the externality

23. In the definition of a public good, the term “nonrival” means that

(A) one person’s use of the public good does not reduce the amount available to others
(B) the public good is produced by the government, without any competition
(C) the public good is produced at zero marginal cost
(D) the public good is mostly consumed by free riders
Step 8: Practice with Sample Test Questions

Answers to Sample Questions

1. (B) is correct. An increase in the price of leather decreases the supply of leather garments, and an increase in incomes will increase the demand for leather garments (normal good). These simultaneous shifts in the curves will result in an increase in price, but the effect on quantity is indeterminate and will depend on the extent of the shift of each curve.

2. (A) is correct. The result of an effective price ceiling will be an excess of quantity demanded over quantity supplied, which will result in a shortage.

3. (C) is correct. The diagram shows demand and cost curves for a firm in perfect competition. Such a firm maximizes profit when it produces that quantity at which marginal revenue equals marginal costs; since it is a price-taker, the price will always be equal to marginal revenue, which is $P_2$, corresponding to Quantity $Q_2$.

4. (B) is correct. The marginal propensity to consume is the percentage of additional disposable income that is spent on consumption. Thus, it is the ratio of the change in consumption to the change in disposable income.

5. (D) is correct. In a command economy, the government determines the allocation of resources and the distribution of outputs through central planning.

6. (A) is correct. Each individual would have a comparative advantage in performing a specific task if each individual can specialize in the task in which he/she has the lower opportunity cost.

7. (D) is correct. Cost-push inflation comes about because the increased costs of production are passed on to the consumer. The prices of raw materials are a cost, and as they rise, the increased prices are pushed on to the consumer.

8. (D) is correct. Real GDP is calculated by dividing the nominal GDP by the price index, which is the GDP price deflator.

9. (B) is correct. Borrowing from foreign governments is not a policy instrument that the Federal Reserve uses. The three other choices are the primary tools that the Federal Reserve uses to conduct monetary policy.

10. (C) is correct. The natural rate of unemployment is the unemployment rate that prevails when the economy produces the full-employment output. During a recession the actual level of real output falls below the full-employment output level, and unemployment rises. Therefore, the actual unemployment rate exceeds the natural rate of unemployment.

11. (B) is correct. Moving the economy out of a recession requires implementing an expansionary fiscal policy that involves either lowering taxes or increasing government purchases.

12. (C) is correct. If the economy is producing at point E, it is by definition not fully employing all its resources and can move toward the frontier without changing current techniques of production.

13. (C) is correct. Favoring imports over domestically produced goods results in an increase in the amount of imports to the United States. This increase in imports increases the supply of United States dollars on the foreign exchange markets, resulting in a depreciation of the dollar. The depreciating dollar will make goods produced in the United States relatively less expensive in the world market, causing United States exports to increase.

14. (B) is correct. To maximize utility, Carmen should equalize the marginal utilities per dollar spent on the last unit of each good. Since the marginal utility of the last dollar spent on good X, 5, is less than the marginal utility of the last dollar spent on good Y, 10, Carmen is not maximizing her utility at her current consumption level. To maximize her utility, she should reallocate her income so that she buys fewer units of X and more units of Y. As she buys fewer X and more Y, the marginal utility of good X rises, and the marginal utility of good Y falls. The process will continue until the marginal utilities per dollar spent on each good are equal.

15. (A) is correct. The required reserve ratio refers to the fraction of deposits a bank is legally required to keep as reserves to meet its liabilities.
16. (C) is correct. Assuming there are no cash leakages and the bank does not keep more than the minimum required in reserves, the maximum increase in the money supply that can be obtained from the $500 deposit is $2,000—that is, the money multiplier, \( \left( \frac{1}{0.2} = 5 \right) \) times the amount of excess reserves. From the $500 deposit, the bank will have excess reserves equal to $400, which is $500 minus $0.2($500). Thus, the maximum increase in the money supply will be equal to $2,000, which is 5 times $400.

17. (B) is correct. Firms produce goods and sell them to consumers (households). In a market economy, it is assumed that all resources—land, labor, and capital—are owned by households and that businesses purchase these resources from households through the factor markets.

18. (A) is correct. The bakery’s rental payments are not tied to its production level; it must continue to make its monthly rental payments regardless of the level of output.

19. (D) is correct. If the price charged by the monopoly falls below its average variable cost, the monopoly will shut down.

20. (A) is correct. The demand for labor depends on the demand for the final product that the labor produces. The higher the demand for the product, the higher the demand for labor.

21. (C) is correct. Antitrust laws are designed to prevent business practices that restrain competition.

22. (A) is correct. Negative externalities impose costs on third parties, and these costs are not reflected in the private market equilibrium price. As a result, goods generating negative externalities are overproduced relative to the socially optimal level of production.

23. (A) is correct. The term “nonrival” means that one person’s use of a good does not reduce the amount available to others, which is true for public goods.
9. Check on Testing Accommodations

See if you qualify for accommodations that may make it easier to take the Praxis test

What if English is not my primary language?

Praxis tests are given only in English. If your primary language is not English (PLNE), you may be eligible for extended testing time. For more details, visit www.ets.org/praxis/register/accommodations/plne.

What if I cannot take the paper-based test on Saturday?

Monday is the alternate paper-delivered test day for test takers who can’t test on Saturday due to:

• religious convictions
• duties as a member of the U.S. Armed Forces

Online registration is not available for Monday test takers. You must complete a registration form and provide a photocopy of your military orders or a letter from your cleric. You’ll find details at www.ets.org/praxis/register/accommodations/monday_testing.

What if I have a disability or other health-related need?

The following accommodations are available for Praxis test takers who meet the Americans with Disabilities Act (ADA) Amendments Act disability requirements:

• Extended testing time
• Additional rest breaks
• Separate testing room
• Writer/recorder of answers
• Test reader
• Sign language interpreter for spoken directions only
• Perkins Brailler
• Braille slate and stylus
• Printed copy of spoken directions
• Oral interpreter
• Audio test
• Braille test
• Large print test book (14 pt.)
• Large print answer sheet
• Listening section omitted

For more information on these accommodations, visit www.ets.org/praxis/register/disabilities.

Note: Test takers who have health-related needs requiring them to bring equipment, beverages, or snacks into the testing room or to take extra or extended breaks must request these accommodations by following the procedures described in the Bulletin Supplement for Test Takers with Disabilities or Health-related Needs (PDF), which can be found at http://www.ets.org/praxis/register/disabilities.

You can find additional information on available resources for test takers with disabilities or health-related needs at www.ets.org/disabilities.
10. Do Your Best on Test Day

*Get ready for test day so you will be calm and confident*

You followed your study plan. You are prepared for the test. Now it’s time to prepare for test day.

Plan to end your review a day or two before the actual test date so you avoid cramming. Take a dry run to the test center so you’re sure of the route, traffic conditions and parking. Most of all, you want to eliminate any unexpected factors that could distract you from your ultimate goal—passing the *Praxis* test!

On the day of the test, you should:

- be well rested
- wear comfortable clothes and dress in layers
- eat before you take the test and bring food with you to eat during break to keep your energy level up
- bring an acceptable and valid photo identification with you
- bring a supply of well-sharpened No. 2 pencils (at least 3) and a blue or black pen for the essay or constructed-response tests
- be prepared to stand in line to check in or to wait while other test takers check in
- select a seat away from doors, aisles, and other high-traffic areas

You can’t control the testing situation, but you can control yourself. Stay calm. The supervisors are well trained and make every effort to provide uniform testing conditions, but don’t let it bother you if the test doesn’t start exactly on time. You will have the necessary amount of time once it does start.

You can think of preparing for this test as training for an athletic event. Once you’ve trained, prepared, and rested, give it everything you’ve got.

**What items am I restricted from bringing into the test center?**

You cannot bring into the test center personal items such as:

- handbags, knapsacks, or briefcases
- water bottles or canned or bottled beverages
- study materials, books, or notes
- scrap paper
- any electronic, photographic, recording, or listening devices

**Note:** All cell phones, smartphones (e.g., BlackBerry® devices, iPhones, etc.), PDAs, and other electronic, photographic, recording, or listening devices are strictly prohibited from the test center. If you are seen with such a device, you will be dismissed from the test, your test scores will be canceled, and you will forfeit your test fees. If you are seen USING such a device, the device will be confiscated and inspected. For more information on what you can bring to the test center, visit [www.ets.org/praxis/test_day/bring](http://www.ets.org/praxis/test_day/bring).
Are You Ready?

Complete this checklist to determine if you’re ready to take your test.

- Do you know the testing requirements for the license or certification you are seeking in the state(s) where you plan to teach?
- Have you followed all of the test registration procedures?
- Do you know the topics that will be covered in each test you plan to take?
- Have you reviewed any textbooks, class notes, and course readings that relate to the topics covered?
- Do you know how long the test will take and the number of questions it contains?
- Have you considered how you will pace your work?
- Are you familiar with the types of questions for your test?
- Are you familiar with the recommended test-taking strategies?
- Have you practiced by working through the practice questions in this Study Companion or in a Study Guide or Practice Test?
- If constructed-response questions are part of your test, do you understand the scoring criteria for these items?
- If you are repeating a Praxis test, have you analyzed your previous score report to determine areas where additional study and test preparation could be useful?

If you answered “yes” to the questions above, your preparation has paid off. Now take the Praxis test, do your best, pass it—and begin your teaching career!
Appendix: Other Questions You May Have

Here is some supplemental information that can give you a better understanding of the Praxis tests.

What do the Praxis tests measure?
The Praxis tests measure the specific pedagogical skills and knowledge that beginning teachers need. The tests do not measure an individual’s disposition toward teaching or potential for success. The assessments are designed to be comprehensive and inclusive, but are limited to what can be covered in a finite number of questions and question types.

What are the Praxis I tests?
The Praxis I tests measure basic skills in reading, writing, and mathematics. All these tests include multiple-choice questions and the Writing test also includes an essay question. Praxis I tests are designed to evaluate whether you have the academic skills needed to prepare for a career in education.

What are the Praxis II tests?
Praxis II Subject Assessments measure knowledge of specific subjects that K–12 educators teach, as well as general and subject-specific teaching skills and knowledge. Ranging from Agriculture to World Languages, there are more than 130 Praxis II tests, which contain multiple-choice or constructed-response questions, or a combination of both.

What is the difference between Praxis multiple-choice and constructed-response tests?
Multiple-choice tests measure a broad range of knowledge across your content area. Constructed-response tests measure your ability to provide in-depth explanations of a few essential topics in a given subject area. Content-specific Praxis II pedagogy tests, most of which are constructed-response, measure your understanding of how to teach certain fundamental concepts in a subject area.

The tests do not measure your actual teaching ability, however. Teaching combines many complex skills that are typically measured in other ways, including classroom observation, videotaped practice, or portfolios not included in the Praxis test.

Who takes the tests and why?
Some colleges and universities use the Praxis I tests to evaluate individuals for entry into teacher education programs. The assessments are generally taken early in your college career. Many states also require Praxis I scores as part of their teacher licensing process.

Individuals entering the teaching profession take the Praxis II tests as part of the teacher licensing and certification process required by many states. In addition, some professional associations and organizations require Praxis II tests for professional licensing.

Do all states require these tests?
The Praxis Series tests are currently required for teacher licensure in approximately 40 states and U.S. territories. These tests are also used by several professional licensing agencies and by several hundred colleges and universities. Teacher candidates can test in one state and submit their scores in any other state that requires Praxis testing for licensure. You can find details at www.ets.org/praxis/states.
What is licensure/certification?

Licensure in any area—medicine, law, architecture, accounting, cosmetology—is an assurance to the public that the person holding the license possesses sufficient knowledge and skills to perform important occupational activities safely and effectively. In the case of teacher licensing, a license tells the public that the individual has met pre-defined competency standards for beginning teaching practice.

Because a license makes such a serious claim about its holder, licensure tests are usually quite demanding. In some fields, licensure tests have more than one part and last for more than one day. Candidates for licensure in all fields plan intensive study as part of their professional preparation. Some join study groups, others study alone. But preparing to take a licensure test is, in all cases, a professional activity. Because it assesses the entire body of knowledge for the field you are entering, preparing for a licensure exam takes planning, discipline, and sustained effort.

Why does my state require The Praxis Series tests?

Your state chose The Praxis Series tests because they assess the breadth and depth of content—called the “domain”—that your state wants its teachers to possess before they begin to teach. The level of content knowledge, reflected in the passing score, is based on recommendations of panels of teachers and teacher educators in each subject area. The state licensing agency and, in some states, the state legislature ratify the passing scores that have been recommended by panels of teachers.

How were the tests developed?

ETS consulted with practicing teachers and teacher educators around the country during every step of The Praxis Series test development process. First, ETS asked them which knowledge and skills a beginning teacher needs to be effective. Their responses were then ranked in order of importance and reviewed by hundreds of teachers.

After the results were analyzed and consensus was reached, guidelines, or specifications, for the multiple-choice and constructed-response tests were developed by teachers and teacher educators. Following these guidelines, teachers and professional test developers created test questions that met content requirements and ETS Standards for Quality and Fairness.*

When your state adopted the research-based Praxis tests, local panels of teachers and teacher educators evaluated each question for its relevance to beginning teachers in your state. During this “validity study,” the panel also provided a passing-score recommendation based on how many of the test questions a beginning teacher in your state would be able to answer correctly. Your state’s licensing agency determined the final passing-score requirement.

ETS follows well-established industry procedures and standards designed to ensure that the tests measure what they are intended to measure. When you pass the Praxis tests your state requires, you are proving that you have the knowledge and skills you need to begin your teaching career.

How are the tests updated to ensure the content remains current?

Praxis tests are reviewed regularly. During the first phase of review, ETS conducts an analysis of relevant state and association standards and of the current test content. State licensure titles and the results of relevant job analyses are also considered. Revised test questions are then produced following the standard test development methodology. National advisory committees may also be convened to review existing test specifications and to evaluate test forms for alignment with the specifications.

How long will it take to receive my scores?

Scores for computer-delivered tests are available faster than scores for paper-delivered tests. Scores for most computer-delivered multiple-choice tests are reported on the screen immediately after the test. Scores for tests that contain constructed-response questions or essays aren’t available immediately after the test because of the scoring process involved. Official scores for computer-delivered tests are reported to you and your designated score recipients approximately two to three weeks after the test date. Scores for paper-delivered tests will be available within four weeks after the test date. See the Test Dates and Deadlines calendar at www.ets.org/praxis/register/centers_dates for exact score reporting dates.

Can I access my scores on the web?

All test takers can access their test scores via their Praxis account free of charge for one year from the posting date. This online access replaces the mailing of a paper score report.

The process is easy—simply log in to your Praxis account at www.ets.org/praxis and click on your score report. If you do not already have a Praxis account, you must create one to view your scores.

Note: You must create a Praxis account to access your scores, even if you registered by mail or phone.
Your teaching career is worth preparing for, so start today! Let the Praxis™ Study Companion guide you.

To search for the Praxis test prep resources that meet your specific needs, visit:

www.ets.org/praxis/testprep

To purchase official test prep made by the creators of the Praxis tests, visit the ETS Store:

www.ets.org/praxis/store