

Economics with Emphasis on the Free Enterprise System and Its Benefits
Unique #99614

Understanding CBE/EA requirements

Before you take the Economics with Emphasis on the Free Enterprise System and Its Benefits (ECO FE) Credit by Examination/Examination for Acceleration from The University of Texas Distance Education Center, here are some things you need to know. You have **sixty** days from the date of registration to take the exam.

Successfully completing the exam will earn you one-half unit of high school credit for the course. This review sheet can help you prepare for the exam, by giving you an idea of what you need to study, review, and learn. To succeed, you should be thoroughly familiar with the subject matter before you attempt to take the exam.

Please note that exams and review sheets are updated regularly. When you take the exam, you need to bring your confirmation letter, because it contains the unique number that indicates which edition of the exam you will take. Your grade will be available two to three weeks after you take the exam.

When you take the exam, please be prepared to show your competence and understanding of the Texas Essential Knowledge and Skills (TEKS) that the Texas Education Agency has specified for the course. Because this CBE/EA review sheet may not refer to all the material that will be in the exam, you should use the complete TEKS for ECO FE to guide your exam preparation. You can view these TEKS online at <http://www.tea.state.tx.us/teks/>

Preparing for the exam

The exam covers general economic systems and how they work.

To review this material, you may use any Texas state-adopted textbook for ECO FE. The exam does not refer to any particular text, but it requires that you know the important concepts and objectives covered in the course, as outlined by the TEKS.

If you wish, you may prepare for the exam with *Economics: Principles and Practices, Texas Edition*, by Gary E. Clayton (Peoria, Illinois: Glencoe/McGraw-Hill, 1995), the Texas state-adopted textbook.

Concepts and objectives

As you prepare for the exam, please keep in mind that you will be asked to show mastery of the following concepts and objectives:

- the mixed market system of the United States
- the role of the government in the marketplace
- the American economic system and international relations
- consumer economics

Time for the exam

You will be allowed **3 hours** to take the exam.

Types of questions

50 multiple-choice questions (1 point each)	50%
10 short-answer questions (5 points each)	50%
	Total 100%

Sample exam

Be sure to take the sample exam, for a better idea of the types of questions you will find on the exam.

To prepare for these short-answer questions, write the answers to the fourteen questions below. Ten of them will be on your exam. We have supplied key words and phrases to use in your answer, and the page references from the Texas state-adopted text (see above).

Short-Answer Questions

1. Why do we say that economics is a **social** science, not an **exact** science? (p. 11)

(Suggested key words/phrases to use in your answer: unpredictable, based on choice, deals with scarcity, no definite formulas, same combination/different results, deals with people, etc.)

2. Why doesn't Congress just pass a law to raise the minimum wage to a decent level? (p. 41, p. 202)
(Suggested key words/phrases to use in your answer: define **decent**, may cost others a job, may drive up prices, fairness, too many teens in the workforce, etc.)
3. What is the difference between a money market mutual fund and an individual retirement account? (pp. 326-352)
(Suggested key words/phrases to use in your answer: small investors get high interest for big risk in mutual fund, money market mutual fund is not covered by FDIC, IRA is tax-sheltered, safer investment, and will be taxed later, etc.)
4. What is the difference between supply-side and demand-side economics? (pp. 427-432 and fig. 17.7, p. 430)
(Suggested key words/phrases to use in your answer:
supply-side: stimulates production, cuts government regulations, cuts taxes, lets business grow.
demand-side: stimulates consumption, cuts taxes or increases federal spending, businesses follow demand with more production, etc.)
5. What are some advantages and disadvantages of communism as an economic system? (pp. 474-475)
(Suggested key words/phrases to use in your answer: job security, public services, selfless society, no individual freedom, no incentive to work, low productivity, etc.)
6. If you were the owner of a sole proprietorship, what would be better about running your business as a partnership rather than a corporation?
(pp. 54-61)
(Suggested key words/phrases to use in your answer: more capital, spread the responsibility, unlimited life, etc.)
7. Explain briefly the Law of Demand (p. 86) and the Law of Supply (p. 106).
(Suggested key words/phrases to use in your answer: relationship to price, higher price means more supply, lower price means more demand, etc.)

8. Why do we say that the individual income tax is progressive? (p. 216)
(Suggested key words/phrases to use in your answer: tax rate rises with income, tax is flat up to a certain level, etc.)
9. What are at least two reasons for the inequality of pay between men and women? (p. 200)
(Suggested key words/phrases to use in your answer: uneven distribution, choice of occupation, childbearing, etc.)
10. Why do we exchange money instead of bartering for goods and services? (p. 266)
(Suggested key words/phrases to use in your answer: store of value, measure of value, medium of exchange, etc.)
11. Why would the negative income tax be a reasonable alternative to existing welfare programs? (p. 412)
(Suggested key words/phrases to use in your answer: incentive to work, market-based, etc.)
12. How are tariffs and quotas used to restrict free trade? (pp. 453–454)
(Key words/phrases to use: protection, limits, competition, domestic, foreign, etc.)
13. How can the United States economy benefit or be hurt by the North American Free Trade Agreement (NAFTA)? (p. 459)
(Suggested key words/phrases to use in your answer: liberalize, protect jobs, displaced workers, etc.)
14. When the Federal Reserve System raises or lowers interest rates to shrink or enlarge the money supply, why does that stimulate or slow down the economy? (pp. 309–311)
(Suggested key words/phrases to use in your answer: price levels, politics, inflation, etc.)

Multiple-Choice Questions

Each of the terms listed below will be involved in some way as part of a multiple-choice item on the exam. You should know the basic meaning of each term and its relationship to economics. Use the index of *Economics: Principles and Practices, Texas Edition*, by Gary E. Clayton (Peoria, Illinois: Glencoe/McGraw-Hill, 1995) (p. 607) to help you find the pages where these

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terms appear in the text. You may also use a dictionary to locate these definitions.

- scarcity
- entrepreneurship
- command economy
- market economy
- trade-off
- production-possibility frontier
- opportunity cost
- capital
- factors of production
- factor market
- product market
- voluntary exchange
- profit motive
- sole proprietorship
- partnership
- corporation
- nonprofit organization
- law of supply and demand
- substitute input
- demand curve
- supply curve
- diminishing returns
- rationing
- depreciation
- monopoly
- oligopoly
- collusion
- price floor
- public goods
- union shop
- closed shop
- collective bargaining
- boycott
- glass ceiling
- benefit principle
- proportional tax
- progressive tax
- regressive tax
- tax return

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- revenue tariff
- balanced budget amendment
- deficit spending
- Gross Domestic Product
- barter economy
- run on the bank
- Federal Deposit Insurance Corporation (FDIC)
- savings and loan crisis of 1980s
- Federal Reserve System
- inflation
- deflation
- bill consolidation loan
- pension
- New York Stock Exchange
- mutual fund
- Consumer Price Index
- Output-Expenditure Model
- John Maynard Keynes
- market basket
- decennial census
- demographer
- baby boomers
- life expectancy
- standard of living
- tax base
- affirmative action
- Walter E. Williams
- depression
- the Great Depression
- unemployed
- unemployment
- negative income tax
- stagflation
- supply-side economics
- demand-side economics
- monetary policy
- fiscal policy
- Bill Gates
- tariffs
- quotas
- capitalism

- socialism
- communism
- Karl Marx
- Lenin
- Stalin
- Mikhail Gorbachev
- privatization
- zero population growth
- expropriation
- cartel
- OPEC
- population density
- subsistence
- oil embargo
- aquifer
- Environmental Protection Agency
- pollution permits
- nonrenewable resources

Bringing identification and materials for the exam

Required photo identification

Students must present an official ID (driver's license, school ID, an ID from the Department of Public Safety, or passport) with photo and signature.

For more information about acceptable forms of identification, you may call the Distance Education Testing Center at 512-471-6030 or 1-888-232-4723.

Authorized materials for the exam

You will be provided with additional paper if you need it. You will not be allowed to bring any other items into the exam area.

Meeting requirements for taking the exam

Required score (CBE)

If you have had previous instruction in the grade or course and are testing to complete requirements and gain credit, you must score a minimum of 70%.

Required score (EA)

If you are taking the Examination for Acceleration (skipping a grade or a required course), you must score at least 90% to earn credit in the state of Texas.

Refund policy

The \$30 fee for the Credit by Examination or Examination for Acceleration is not refundable or transferable to another person or another subject.

Test proctor and location

You are responsible for arranging a testing time, in advance, with the counselor or test supervisor in your school or alternate test site.

If you plan to test in the Distance Education Center at The University of Texas at Austin, please register for your exam at least 24 hours in advance of your desired testing date. Schedule your exam so that you will have plenty of time to take the test in one sitting.

The times for sitting are listed at the Testing link of the Distance Education Center's Credit by Examination/Examination for Acceleration web link.

Saturday testing is available once a month, by appointment only. Please call 512-471-6030 or 1-888-232-4723 to schedule an appointment for a Saturday testing session.

Obtaining grades by phone

In compliance with the Family Education Rights and Privacy Act (FERPA), no information will be released over the telephone without your assigned Personal Identification Number. You will find this PIN on your enrollment receipt.

Re-examination

There is no re-examination available for an Examination for Acceleration.

If you score less than the minimum of 70% required to pass a Credit by Examination, a re-examination is available for a \$30 fee. Re-examination will be administered only after you have received an official notification that the first exam score was below 70%.