

Macroeconomics Syllabus

AP Economics: Course Code: H225AP

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Northampton Senior High School

Textbooks & Resources:

McConnell, Campbell & Stanley Brue. Economics: Principles, Problems, and Policies. 16th ed., New York, NY: McGraw-Hill, 2005.

Morton, John. AP Economics: Macroeconomic Student Activities. New York, NY: NCEE, 1999.

Sexton, Robert. Exploring Economics. 6th ed., New York, NY: Dryden Press, 2013.

Course Objectives:

- By the end of the course students will understand the importance of making sound economic decisions and how the intricacies of making such decisions affect us at the macroeconomic level.
- Students will be prepared to successfully pass the AP macroeconomics examination.

Course Summary:

- This is currently a 38 week full year course designed to adequately prepare you for the AP Macroeconomics examination. Consequently, the course proceeds at a fairly rapid pace and requires a great deal of effort on your part, the student. Proper preparation is essential.
- Course will include a combination of lecture, individual, and group activities.

Course Outline:

Unit 1: Introduction to Economics

Topic 1: Scarcity and Choice

Objectives: You will be able to: **[6.3.A-D]**

1. Define scarcity, choice and cost
2. Define and/or compute opportunity cost
3. List and define the principles of economic reasoning
4. Distinguish between positive and normative statements

Key Vocabulary: Students will know the following terms:

- | | |
|-------------------------|--------------------------|
| 1. Scarcity | 2. Factors of production |
| 3. Choice | 4. Utility |
| 5. Marginal Analysis | 6. Positive Statements |
| 7. Normative statements | 8. Goods vs Services |
| 9. Opportunity Cost | 10. Needs vs Wants |

Assignments & Assessment:

1. Read Chapter 1, pp.1-13
2. Do questions #1-15 pp. 13-14

Topic 2: Economic Systems

Objectives: You will be able to: **[6.1.A-B]**

1. Define the four types of economic systems
2. List and explain the four basic economic questions every society
Must answer
3. Explain the key characteristics of a market system
4. Explain why communism failed as an effective economic system
5. Describe the role Adam Smith and Karl Marx played in the

- Development of modern economic systems
6. Explain how the US mixed economy answers the four basic economic questions
 7. Draw and identify a circular flow chart of market and mixed economies

Key Vocabulary: know the following terms:

1. Traditional System
2. Command System
3. Market System
4. Mixed System
5. Adam Smith
6. Karl Marx
7. Circular flow chart
8. Invisible Hand
9. roundabout production

Assignments & Assessment:

1. Activity 5, 6, 8, and 12 from Morton
2. Read Chapter 4 McConnell & Brue
3. Do #1-13 pp. 71-72 McConnell & Brue
4. Quiz on topics 1 & 2

Topic 3: Production Possibilities

Objectives: You will be able to: **[6.4.A-G]**

1. Construct and interpret production possibilities graphs and schedules
2. List and define the assumptions of production possibilities schedules and graphs
3. Define how production possibilities schedules and graphs illustrate the concepts of scarcity, choice and cost
4. Define and calculate absolute and comparative advantages for production and exchange
5. Explain how nations benefit from free trade
6. Define allocative efficiency and productive efficiency
7. Define ways in which societies determine allocation, efficiency, and equity
8. Explain how and why the production possibilities frontier shifts

Key Vocabulary: know the following terms:

1. Economic growth
2. production possibilities frontier
3. Economic efficiency
4. law of increasing opportunity cost
5. Absolute advantage
6. Comparative advantage
7. David Ricardo
8. Free trade
9. Underutilization

Assignments & Assessment:

1. Read Chapter 2 pp. 22-36.
2. Do questions #1-17 pp.37-38
3. Activities 2, 3, and 9 from Morton
4. Read pp. 96-99 McConnell & Brue [Specialization & Comparative Advantage]
5. Quiz on topic 3
6. Test on Unit 1, Chapters 1-2 & 4 in McConnell & Brue

Unit 2: Market Theory

Topic 1: Demand

Objectives: You will be able to: **[6.2.A-L]**

1. Explain the role of price in a market economy
2. Define and illustrate demand through schedules and graphs
3. Distinguish between change(s) in demand and change(s) in quantity demanded
4. Explain the inverse relationship between price and quantity demanded
5. Identify and explain the variables which cause a change in demand
6. Illustrate and explain the changes in quantity demanded given a change in price

Key Vocabulary: know the following terms:

- | | |
|----------------------|-------------------------|
| 1. Quantity demanded | 2. inverse relationship |
| 3. Law of Demand | 4. Complement |
| 5. Substitute | 6. Ceteris paribus |
| 7. Demand | 8. PYNTE |

Assignments & Assessment:

1. Read Module 4 Sexton
2. Worksheets from Module 4 Sexton
3. Activities 13-15 Morton

Topic 2: Supply

Objectives: You will be able to: **[6.2.E-F]**

1. Explain the role of price in the market economy
2. Define & illustrate supply through schedules & graphs
3. Distinguish between changes in supply and changes in quantity supplied
4. Examine the direct relationship between price and quantity supplied
5. Identify and explain the variables that explain changes in quantity supplied
6. Illustrate & explain the changes in quantity supplied given a price change

Key Vocabulary: know the following terms:

- | | |
|----------------------|------------------------|
| 1. Law of Supply | 2. Profits |
| 3. Quantity Supplied | 4. Costs of Production |
| 5. SPENT | |

Assignments & Assessment:

1. Worksheets from Module 4 Sexton
2. Activities 16-17 Morton
3. Quiz on Demand & Supply

Topic 3: Equilibrium

Objectives: You will be able to: **[6.2.E-F]**

1. Define and illustrate equilibrium
2. Define and illustrate surpluses and shortages
3. Define the effects of surpluses and shortages on price and quantity
4. Predict and interpret changes in price and quantity based upon changes in supply & demand

Key Vocabulary: know the following terms:

1. Equilibrium point
2. Equilibrium price
3. Equilibrium quantity
4. Surpluses
5. Shortages

Assignments & Assessment:

1. Worksheets from Module 5 Sexton
2. Activities 18-20 Morton
3. Read Module 5 Sexton
4. Read Chapter 3 McConnell & Brue
5. Do # 1-15 pp. 57-58
6. Quiz on Graphing Equilibrium
7. Market in Wheat Simulation
8. Test on topics 1-3

Topic 4: Role of Government in Markets

Objectives: You will be able to **[6.2.G-I]**

1. Define and explain the effects of price ceilings and price floors
2. Identify areas of actual/potential market failure
3. Define & differentiate between public vs private goods
4. Illustrate & explain the effects of government policies designed to raise/lower equilibrium prices
5. Define & explain the functional & personal distribution of income.
6. Define the various types of business structures
7. Explain the advantages and disadvantages of various business structures
8. Identify the economics functions and goals of government in the mixed economy

Key Vocabulary: know the following terms:

1. Price Ceiling
2. Price Floor
3. Black Market
4. Externalities
5. Public goods
6. Private goods
7. Exclusion Principle
8. Shared Consumption
9. Corporation
10. Sole Proprietorship
11. Partnership
12. Limited Liability Corp.
13. free-rider
14. Common Stock
15. Preferred stock
16. Industry
17. Plant
18. Firm

Assignments & Assessment:

1. Activities 25-27 Morton
2. Activities 62-65 Morton
3. Read Chapter 5 pp.73-89 McConnell & Brue
4. Do #1-16 pp.89-90 McConnell & Brue
5. Quiz on Topic 4/Chapter 5

Unit 3: Measuring Economic Performance

Topic 1: National Income Accounting

Objectives: You will be able to: **[6.1.C-D]**

1. Define and differentiate between GDP and GNP
2. Calculate GDP using the expenditure and income approaches
3. Explain the meaning of $C+G+I_g+X_n$
4. Differentiate between nominal and real GDP
5. Explain the problems with calculating GDP and using GDP as a measurement of standard of living
6. Identify the following components of National Income Accounting: NNP, NI, DI, PI

Key Vocabulary: know the following terms:

1. Gross Domestic Product
2. Gross National product
3. intermediate goods
4. final sales
5. depreciation
6. nominal values
7. real values
8. price index
9. personal income
10. disposable income
11. consumption
12. net exports
13. trade deficit
14. trade surplus
15. balance of payments
16. indirect business taxes
17. multiple counting

Assignments & Assessment:

1. Read Chapter 7 pp. 112-128 McConnell & Brue
2. Do questions #1-13 pp. 128-130
3. Activities 9-11 Morton
4. Quiz on National income Accounting

Topic 2: Unemployment, Inflation & the Business Cycle

Objectives: You will be able to: **[6.1.C-D]**

1. Define economic growth
2. List and explain the four phases of the business cycle
3. Define and determine who is in the civilian labor force
4. Define and explain the four types of unemployment
5. Identify the natural rate of employment and define full employment
6. Explain Okun's Law and its relationship to the GDP gap
7. Define and differentiate between inflation, deflation and stagflation
8. Explain who is helped and who is hurt by inflation
9. Calculate the rate of inflation using price indexes
10. Explain the purpose of a market basket
11. Calculate the CPI and identify problems with the CPI

12. Identify cost-push and demand-pull inflation
13. differentiate between anticipated and unanticipated inflation
14. Explain the three types of economic indicators

Key Vocabulary: know the following terms

- | | |
|----------------------------|----------------------------|
| 1. expansion | 2. contraction |
| 3. peak | 4. trough |
| 5. frictional unemployment | 6. structural unemployment |
| 7. cyclical unemployment | 8. seasonal unemployment |
| 9. Okun's Law | 10. COLAs |
| 11. economic indicators | 12. rule of 70 |
| 13. Producer Price Index | |

Assignments & Assessment:

1. Read Chapter 8 pp. 131-150 McConnell & Brue
2. Do questions #1-14 pp. 150-51
3. Activities 13-15 Morton
4. quiz on chapter 8
5. Test on Chapters 7 & 8

Unit 4: Macroeconomic Models & Fiscal Policy

Topic 1: Macroeconomic Relationships & the Aggregate Expenditures Model

Objectives: You will be able to:

1. Explain the role of the consumption function and graph consumption on the aggregate expenditures model
2. Identify and calculate the marginal propensity to consume and save
3. Explain how changes in income affect output and employment
4. Calculate the spending multiplier
5. Explain and graph the relationship between real interest rates and investment
6. Explain the relationship between savings and investment [leakages-injections approach]
7. Explain and the graph the difference among a private closed economy, a private/public closed economy and an open private/public economy
8. Graphically show an inflationary and recessionary gap on the aggregate expenditures model

Key Vocabulary: know the following terms:

- | | |
|----------------------------|------------------------------------|
| 1. 45 degree line | 2. ave. propensity to consumer |
| 3. ave. propensity to save | 4. marginal propensity to save |
| 5. multiplier | 6. marginal propensity to consume |
| 7. saving schedule | 8. consumption schedule |
| 9. leakages-injections | 10. unplanned changes in inventory |

Assignments & Assessments:

1. Read Chapters 9 & 10 McConnell & Brue
2. Activities 25-27 Morton
3. Do questions #1-11 pp. 168-169
4. Do questions #1-15 pp. 190-191

Topic 2: Aggregate Demand & Aggregate Supply Model

Objectives: You will be able to: **[6.1.C-D; 6.2.G-J]**

1. Explain the differences between Keynesian and Classical theories of aggregate supply and AD/AS equilibrium
2. Identify the determinants of Aggregate Demand
3. Identify the determinants of Aggregate Supply
4. Graphically show equilibrium, LRAS, and full employment using both the 3 stage AS and the classical AS
5. Explain the difference between flexible and sticky prices/wages and how they relate to the Keynesian/classical debate
6. Graphically show and explain the ratchet effect
7. Explain the relationship between growth and Aggregate Supply
8. Differentiate between long-run and short-run aggregate supply

Key Vocabulary: know the following terms:

1. real balances affect
2. interest rate effect
3. foreign purchases affect
4. productivity
5. supply shock
- 6.

Assignments & Assessment:

1. Read Chapter 11 pp. 193-213 McConnell & Brue
2. Activities 16-23 Morton
3. Do questions #1-12 pp. 208-210
4. Quiz on Chapter 11

Topic 3: Fiscal Policy

Objectives: You will be able to: **[6.1.C-D; 6.2.G-J]**

1. Explain the budget process and the types of taxation
2. Identify the difference between a budget deficit and the national debt
3. Differentiate between mandatory and discretionary spending
4. Identify attempts to limit federal spending
5. Identify the discretionary fiscal policy tools
6. Explain and appropriately use expansionary and contractionary fiscal policy
7. Describe and mathematically/graphically show how the spending multiplier influences output and employment based upon the type of fiscal policy utilized
8. Explain why tax cuts/increase don't receive the full effect of the spending multiplier
9. Explain and mathematically show how the balanced budget multiplier works
10. Describe and show graphically how supply side fiscal policy works
11. Graphically show and explain the Laffer curve
12. Explain the crowding out effect
13. Describe how fiscal policy can negatively affect net exports
14. Graphically draw and explain how the loanable funds graph is related to fiscal policy
15. Explain the impact of the Employment Act of 1946 on fiscal policy
16. Describe how the tax system can act as a built in stabilizer
17. Graphically show how fiscal policy affects the AD/AS model

Key Vocabulary: know the following terms:

- | | |
|---------------------------|----------------------------------|
| 1. budget deficit | 2. budget surplus |
| 3. built in stabilizer | 4. crowding out |
| 5. net export effect | 6. full employment budget |
| 7. regressive tax | 8. progressive tax |
| 9. proportional tax | 10. contractionary fiscal policy |
| 11. continuing resolution | 12. Laffer Curve |

Assignments & Assessments:

1. Read Chapter 12 pp. 214-228 McConnell & Brue
2. Activities 30-33 Morton
3. Do questions #1-14 pp. 229-230
4. Quiz on Fiscal Policy
5. Fiscal policy Free Response Question
6. Test on Chapter 11-12 McConnell & Brue

Unit 5: Money, Banking, & Monetary Policy

Topic 1. Money & Banking

Objectives: You will be able to: **[6.1.C-D]**

1. List and explain the 3 functions of money
2. List and explain the six characteristics of money
3. Define the three definitions of money, M1, M2, and M3
4. Graph both asset and transaction demand for money
5. Describe the functions of banks
6. Explain why the Federal Reserve System was created
7. Describe the organization of the Federal Reserve system
8. Identify the functions of the federal reserve
9. Explain how fractional reserve banking leads to money creation
10. Use a bank's balance sheet to explain how money is created
11. Calculate the money multiplier and explain its effect on money creation

Key Vocabulary: know the following terms:

- | | |
|-----------------------|------------------------|
| 1. medium of exchange | 2. unit of accounting |
| 3. store of value | 4. asset demand |
| 5. transaction demand | 6. time deposits |
| 7. MMDA | 8. MMMF |
| 9. FOMC | 10. Board of Governors |
| 11. M1, M2, M3 | 12. checkable deposits |
| 13. excess reserves | 14. required reserves |
| 15. reserve ratio | 16. federal funds rate |
| 17. money multiplier | 18. actual reserves |

Assignments & Assessments:

1. Read Chapter 13 pp. 232-248 McConnell & Brue
2. Do questions #1-15 pp. 249-250
3. Activities 34-38 Morton
4. Read Chapter 14 pp. 252-266 McConnell & Brue
5. Do questions #1-15 pp. 266-67
6. Bank's Balance Sheet Free Response Question
7. Quiz on Chapters 13-14

Topic 2: Discretionary Monetary Policy & Macroeconomic Debates

Objectives: You will be able to: **[6.2.H; 6.5.H]**

1. Identify the 3 monetary policy tools
2. Differentiate between expansionary and contractionary monetary policy
3. Graphically show how monetary policy affects the AD/AS model
4. Graph a money market and show how monetary policy influences the money market
5. Graphically explain how the Fed influences the federal funds rate through open market operations
6. Explain the relationship between the price of bonds and interest rates
7. Explain why monetary policy does not experience a crowding out effect
8. Describe the relationship between monetary policy and net exports using a foreign exchange market
9. Identify problems with monetary policy
10. Explain the equation of exchange $MV=PQ$ and how it relates to monetarist theories of macroeconomic policy
11. Describe the differences between Keynesian and Classical [monetarist] theories of macroeconomic policy
12. Explain the Rational Expectations theory
13. Explain inflation targeting and identify positives and negative associated with it.
14. Describe how the Phillips curve explains the relationship between inflation and unemployment
15. Compare and Contrast Monetary Policy and Fiscal Policy

Key Vocabulary: know the following terms:

- | | |
|---------------------------|--------------------------|
| 1. reserve requirement | 2. discount rate |
| 3. open market operations | 4. prime rate |
| 5. federal funds rate | 6. velocity of money |
| 7. expansionary policy | 8. contractionary policy |
| 9. equation of exchange | 10. monetary rule |
| 11. RET | 12. Phillips Curve |

Assignments & Assessments:

1. Read Chapter 15 pp. 268-288 McConnell & Brue
2. Do Questions #1-8 pp. 288-89
3. Activities 39-50 Morton
4. Quiz on chapter 15
5. Test on Chapters 13-15

Unit 6: The US and the Global Economy

Topic 1: Why Nations Trade?

Objectives: You will be able to: **[6.4.A-G]**

1. Describe why and how people and nations gain when they trade
2. Differentiate between absolute advantages vs comparative advantage
3. Identify the variables that that shift the demand and supply curve for dollars

4. Graphically show how changes in the foreign exchange markets affect capital flows & net exports
5. Explain why most nations went from a fixed rate of exchange to a flexible rate of exchange
6. Explain the arguments for and against free trade
7. Define and explain the concept of globalization
8. Identify current trends in global trade

Key Vocabulary: know the following terms:

- | | |
|---------------------------|-------------------------------|
| 1. absolute advantage | 2. comparative advantage |
| 3. David Ricardo | 4. trade deficit |
| 5. trade surplus | 6. balance of payments |
| 7. appreciation | 8. depreciation |
| 9. fixed rate of exchange | 10. flexible rate of exchange |
| 11. GATT | 12. WTO |
| 13. EU | 14. NAFTA |

Assignments and Assessment:

1. Read Chapters 37-38 pp. 690-728
2. Do questions #1-12 pp. 709-710
3. Do questions #1-1-12 pp. 730-731
4. Activities 56-63 Morton
5. Quiz on Chapter 37-38

Unit 7: Macroeconomic Review

Topic 1: Test Preparation

Objective: You must be able to

1. Successfully and confidently take the AP Exam by earning a score of 4 or better.