



AP Macroeconomics

Course Summary:

AP Macroeconomics presents the principles of economics that apply to an economic system as a whole. Students will distinguish between absolute and comparative advantage, explore the way the tools of supply and demand are used to analyze how a free-market economy works, and study the concept of a business cycle. In addition, students will study and analyze economic fluctuations, the dynamics of unemployment, and inflation.

Course Outline

1. Basic Economic Concepts

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2. Overview of Advanced Placement
3. Economic Basics
 - Describe the difference between economic systems.
 - Recognize the basic economic questions every economy must answer.
 - Identify the factors of production.
4. Scarcity and Opportunity Cost
 - Define and explain the economic problem of scarcity.
 - Apply the concept of scarcity to different economic situations.
 - Define and explain opportunity costs.
 - Analyze the opportunity costs present in different economic situations.

5. Production Possibilities Curves

- Graph and interpret production possibilities curves.
- Recognize the meaning of different production possibilities curve shapes.

6. Absolute and Comparative Advantage

- Define examples of absolute and comparative advantage.
- Interpret examples of absolute and comparative advantage.

7. Demand

- Identify the determinants of demand.
- Distinguish between a change in demand and a change in quantity demanded and illustrate each graphically.
- Evaluate the law of demand.

8. Supply

- Identify the determinants of supply.
- Distinguish between a change in supply and a change in quantity supplied, and illustrate each graphically.
- Evaluate the law of supply.

9. Equilibrium

- Describe the behavior of buyers and sellers in a competitive marketplace.
- Define and graph market equilibrium.

10. Price Ceilings and Floors

- Define, graph, and analyze the advantages and disadvantages of price ceilings and price floors.
- Define and graph surpluses and shortages.

11.Understanding Economic Basics

12.Unit One Exam

- Describe the differences between economic systems
- Recognize the basic economic questions every economy must answer
- Identify the factors of production
- Define and explain the economic problem of scarcity
- Apply the concept of scarcity to different economic situations
- Define and explain opportunity costs
- Analyze the opportunity costs present in different economic situations
- Graph and interpret production possibilities curves
- Recognize the meaning of different production possibilities curve shapes
- Define and interpret examples of absolute and comparative advantage
- Identify the determinants of demand
- Distinguish between a change in demand and a change in quantity demanded, and illustrate each graphically
- Evaluate the law of demand
- Identify the determinants of supply
- Distinguish between a change in supply and a change in quantity supplied, and illustrate each graphically
- Evaluate the law of supply
- Describe the behavior of buyers and sellers in a competitive marketplace
- Define and graph market equilibrium
- Define, graph, and analyze the advantages and disadvantages of price ceilings and floors
- Define and graph surpluses and shortages

2. Measurements of Economic Performance

1. Measurements of Economic Performance
2. Circular Flow
 - Understand the flow of money, goods, and resources through the circular flow model, paying attention to the role of factor, product markets, households and businesses.
3. Gross Domestic Product
 - Explain what is and is not included in gross domestic product (GDP).
 - Explain how to calculate GDP using income and expenditures approaches.
 - Explain the difference between nominal and real GDP.
4. The Business Cycle Inflation and Price Indices
 - After completing this lesson, you will be able to describe the stages of the business cycle.
5. Inflation and Price Indices
 - Define and identify types of inflation.
 - Analyze types of price indices: CPI, PPI, GDP deflator.
 - Explain the difference between nominal versus real inflation.
 - Analyze the effects of inflation.
 - Describe an inflationary GDP gap.
6. Unemployment
 - Define and identify types of unemployment.
 - Define natural and identify natural rate of unemployment.
 - Determine how unemployment is calculated.
7. Unit Two Exam

- Understand the flow of money, goods, and resources through the circular flow model, paying attention to the role of factor, product, and financial markets as well as households, government, and business firms.
- Explain what is and is not included in GDP.
- Explain how to calculate GDP using income and expenditures approaches.
- Explain the difference between nominal and real GDP.
- Describe a GDP gap.
- Define and identify types of inflation.
- Analyze types of price indices: CPI, PPI, GDP deflator.
- Explain the difference between nominal versus real inflation.
- Analyze the effects of inflation.
- Describe the stages of the business cycle.
- Define and identify types of unemployment.
- Define natural and identify the natural rate of unemployment.
- Determine how unemployment is calculated.

3. National Income, Price Determination, and Economic

1. National Income, Price Determination, and Economic
2. Classical Economics and Say's Law
 - Explain the classical view of economics and Say's Law.
3. Aggregate Supply
 - List and explain the determinants of aggregate supply (AS).
 - Analyze the impact of the determinants of AS on the aggregate supply curve.
 - Correctly draw a short-run and long-run aggregate supply curve.
 - Understand the difference between short-run and long-run aggregate supply.
 - Analyze the difference between the Keynesian and the Classical views of aggregate supply.
4. Aggregate Demand
 - List and explain the determinants of aggregate demand.
 - Analyze the impact of the determinants of AD on the aggregate demand curve.
 - Correctly draw an aggregate demand curve.
 - Define and distinguish between the interest rate, net export, and wealth effects.
5. The Expenditure and Tax Multipliers
 - Define and explain the difference between marginal and average propensity to consume and save.
 - Use the expenditure and tax multipliers to explain expansion and contraction in the economy.
6. Equilibrium in the AD/AS Model
 - Analyze AD and AS in the short-run and long-run.
 - Understand actual versus full-employment output.
 - Create and analyze aggregate demand and supply graphs.
7. Economic Growth and Productivity
 - Describe the determinants of economic growth.
 - Analyze the impact of economic growth on LRAS and the PPC.
8. Keynesian Economics and Fiscal Policy
 - Analyze the government's use of taxes and spending to correct errors in the economy.
9. Unit Three Exam
 - Explain the Classical view of economics and Say's Law
 - List and explain the determinants of aggregate supply (AS)
 - Analyze the impact of the determinants of AS on the aggregate supply curve

- Correctly draw a short-run and a long-run aggregate supply curve
- Understand the difference between short-run and long-run aggregate supply
- Analyze the difference between the Keynesian vs. classical views of aggregate supply
- List and explain the determinants of aggregate demand (AD)
- Analyze the impact of the determinants of AD on the aggregate demand curve
- Correctly draw an aggregate demand curve
- Define and distinguish between the interest rate, net export, and wealth effects
- Define and explain the difference between marginal propensity to consume and save
- Use the expenditure and tax multipliers to explain expansion and contraction in the economy.
- Analyze AD and AS in the short-run and long-run
- Understand actual versus full-employment output
- Create and analyze aggregate demand and aggregate supply graphs
- Describe the determinants of economic growth
- Analyze the impact of economic growth on LRAS and the PPC
- Analyze the government's use of taxes and spending to correct errors in the economy

4. International Economics

1. International Economics
2. Comparative Advantage and International Trade
 - Explain the relationship between opportunity cost and comparative advantage.
 - Explain gains from international trade.
 - Use a production possibilities curve or a production possibilities table to determine the opportunity cost of producing a good.
3. Balance of Payments
 - Identify current accounts, and financial accounts.
4. Exchange Rates, Financial Capital, and Net Exports
 - Explain how exchange rates are determined.
 - Explain the relationship between exchange rates and the quantity of dollars demanded or quantity of dollars supplied.
5. Foreign Exchange Markets
 - After completing this lesson, you will be able to show how a change in interest rates, GDP, or price level impacts exchange rates.
6. Free Trade and Trade Barriers
 - Explain the arguments for and against free trade.
 - Explain the impact of trade barriers on international trade.
7. Unit Four Exam
 - Explain the relationship between opportunity cost and comparative advantage.
 - Explain gains from international trade.
 - Use a production possibilities curve or a production possibilities table to determine the opportunity cost of producing a good.
 - Identify current accounts and financial accounts.
 - Explain how exchange rates are determined.
 - Explain the relationship between exchange rates and the quantity of dollars demanded or quantity of dollars supplied.

- Show how a change in interest rates, GDP, or price level impacts exchange rates.
- Explain the arguments for and against free trade.
- Explain the impact of trade barriers on international trade.

5. The Financial Sector

1. The Financial Sector
2. The Money Supply
 - Identify the functions and characteristics of money.
 - Define financial assets: money, bonds, and securities.
 - Explain the measures of money.
3. Money Creation and the Money Multiplier
 - Describe and analyze the creation of money.
 - Explain the money multiplier.
4. The Time Value of Money
 - Describe, analyze, and calculate the present and future value of money.
5. The Loanable Funds Market
 - Explain and analyze the loanable funds market and the demand for money.
 - Correctly draw the loanable funds graph.
 - Differentiate between economic investment and financial investment.
 - Understand the difference between real and nominal interest rates.
6. The Equation of Exchange
 - After completing this lesson, you will be able to explain and analyze the equation of exchange.
7. Unit Five Exam
 - Identify the functions and characteristics of money.
 - Define financial assets: money, securities, and bonds.
 - Describe, analyze, and calculate the present and future value of money.
 - Explain the measures of money.
 - Explain and analyze the loanable funds market and the demand for money.
 - Correctly draw the loanable funds graph.
 - Differentiate between economic investment and financial investment.
 - Understand the difference between real and nominal interest rates.
 - Explain and analyze the equation of exchange.
 - Describe and analyze the creation of money.
 - Explain the money multiplier.

6. Inflation, Unemployment and Stabilization Policies

1. Inflation, Unemployment and Stabilization Policies
2. Modern Theories
 - After completing this lesson, you will be able to identify and explain the major tenets of supply side, monetarist, and rational expectations theories in relation to the national economy.
3. Fiscal Policy Review
 - Analyze the effect of fiscal policy on interest rates.
 - Describe the limitations of fiscal policy.
4. Automatic Stabilizers
 - After completing this lesson, you will be able to examine the impact of automatic stabilizers in the American economic system.
5. Economic Impact of Deficits and Debt
 - After completing this lesson, you will be able to explain the difference between deficit and debt, and analyze the impact of each on the economy.
6. The Federal Reserve System

- After completing this lesson, you will be able to explain the origins and organizational structure of the Federal Reserve System.
 - 7. Introduction to Monetary Policy
 - Analyze and explain the powers and tools of the Fed.
 - 8. Graphing Monetary Policy
 - After completing this lesson, you will be able to analyze the effects of monetary policy actions on output, employment, price level, and interest rates.
 - 9. The Phillips Curve
 - After completing this lesson, you will be able to use a Phillips curve to demonstrate and analyze the relationship between inflation and unemployment in the short and long run.
 - 10. Understanding Fiscal and Monetary Policies
 - After completing this lesson, you will be able to communicate your understanding of fiscal and monetary policy to address problems in the economy to your instructor.
 - 11. Unit Six Exam
 - Explain and analyze the tools of fiscal policy
 - Analyze the shortcomings of fiscal policy
 - Examine the impact of automatic stabilizers in the American economic system
 - Explain the difference between deficit and debt, and analyze the impact of each on the economy
 - Explain the organizational structure of the Fed
 - Analyze and explain the powers and tools of the Fed
 - Analyze the effects of monetary policy actions on output, employment, price level, and interest rates
 - Explain how a change in interest rates impacts financial capital
 - Use a Phillips curve to demonstrate and analyze the relationship between inflation and unemployment in the short and long run
 - Identify and explain the major tenets of supply side, monetarist, and rational expectations theories in relation to the national economy
 - Use fiscal and monetary policy to address problems in the economy
- 7. Final Review and Comprehensive Exam**
1. Final Review and Comprehensive Exam
 2. Simulated Multiple Choice Exam
 - After completing this lesson, you will understand how you need to budget your time wisely in order to complete the multiple choice section of the AP exam.
 3. Guided Review
 4. Free Response Final Exam
 5. Final Multiple Choice Exam