

Murrieta Valley Unified School District
High School Course Outline
June 2013

Department: Social Science

Course Title: Advanced Placement Macroeconomics

Grade Level: 12

Course Number: 1705

Prerequisite: Completion of Algebra 2 with a C or higher.

Length of Course: Full Year

Course Description: The purpose of AP macroeconomics is to give students a thorough understanding of the principles of economics that apply to an economic system as a whole. Such a course places particular emphasis on the study of national income and price-level determination and also develops students' familiarity with economic performance measures, the financial sector, stabilization policies, economic growth and international economics.

AP Exam Requirement

Students attempting to receive college credit for Advanced Placement and International Baccalaureate courses are required to pass a College Board exam which validates coursework. This exam **is not a requirement** for District High School credit, grade increases, or extra credit.

Student fees are allowable for Advanced Placement and International Baccalaureate Diploma examinations **for college credit**, so long as (1) taking the exam is not a course requirement; (2) the exam results have no impact on a pupil's grade or credit in a course; and (3) eligible economically disadvantaged high school pupils who receive school district funding towards the exam fee shall pay \$5.00 of the fee. (EC sections 52240-52244; 52920-52922.)

I Goals

The student will:

1. Define the science of economics.
2. Distinguish between opportunity cost, scarcity, and tradeoffs.
3. Distinguish between macroeconomics and microeconomics.
4. List the three basic economic questions.
5. Define comparative advantage and specialization and benefits of exchange.
6. Use a production possibilities curve to demonstrate opportunity cost and growth.
7. List the determinants of demand and supply.
8. Recognize which factors will cause demand curves or supply curves to shift.
9. Distinguish between changes in quantity demanded and a change in demand.

10. Distinguish between changes in quantity supplied and a change in supply.
11. Determine effects on price and quantity when equilibrium changes.
12. Describe the macroeconomic performance of the United States and other countries—gross domestic product (GDP), inflation, unemployment, and other indicators.
13. Define GDP by expenditure and income approaches.
14. Distinguish between nominal GDP and real GDP.
15. Explain the limitations of GDP measures.
16. Define unemployment; list sources and types.
17. Define the labor-force participation rate.
18. Define the full-employment level of GDP.
19. Distinguish between actual and potential GDP.
20. Explain the calculation of price indices—GDP deflator, consumer price index (CPI), and producer price index (PPI).
21. Use price indices to calculate real wages and real interest rates.
22. List the determinants of aggregate demand (AD).
23. Distinguish between changes in AD and a change in price level causing movement along the AD curve.
24. List reasons why the AD curve is down sloping.
25. List the determinants of aggregate supply (AS).
26. Distinguish between changes in AS and a change in price level causing movement along the AS curve.
27. Explain and demonstrate the shape of the AS curve in the short run and long run; define and show the full-employment level of output (Q_f).
28. Determine the importance of the shape of the AS curve on the effects of change in the AD curve.
29. Determine equilibrium using an AD/AS graph and show the effects on price level and real GDP when equilibrium changes in both the long run and the short run.
30. Given data, determine the size of the spending multiplier and assess its impact on AD.
31. Define fiscal policy—discretionary and nondiscretionary.
32. Define and measure the effect of built-in stabilizers on the economy
33. Using AD/AS analysis, show the effect on price level and real gross domestic product (RDGP) of changes in fiscal policy.
34. Define the balance budget multiplier.
35. Distinguish between sticky price and sticky wage models and flexible price and flexible wage models; identify the effect of these differences on the AS curve.
36. Define and list factors influencing money demand.
37. Define money supply and other financial assets.
38. Demonstrate understanding of the time value of money.
39. Define a fractional banking system.
40. Explain the role of the Federal Reserve System in the economy.
41. Identify and examine the tools of central bank policy and their impact on money supply and interest rates.
42. Describe the process of money creation and multiple-deposit expansion.
43. Given data, determine the size of the money multiplier and assess its impact on the money supply.
44. Distinguish between nominal and real interest rates.

45. Define the quantity theory of money.
46. Assess the effect of fiscal and monetary policy on real output, price level, and the level of employment in the long run and the short run.
47. Gain understanding of how an economy responds to a short-run shock and adjusts in the long run in the absence of any public policy actions.
48. Examine the economic effects of government deficit budgets, including “crowding out.”
49. Consider issues surrounding the size and burden of the national debt.
50. Gain understanding of inflation-unemployment tradeoffs using short-run and long-run Phillips curve analysis.
51. Show the causes of inflation on an AD/AS model.
52. Speculate on the role of inflationary expectations on price level and output.
53. Define economic growth and list the factors that stimulate growth.
54. Assess the role of productivity in raising real output and standard of living.
55. Suggest how public policies stimulate economic growth.
56. Using graphical and tabular analysis, show the benefit of employing comparative advantage.
57. Explain how the balance of payments accounts are recorded.
58. Explain the effect of trade restrictions.
59. List the factors that influence equilibrium foreign exchange rates.
60. Using demand/supply analysis, show how market forces and public policy affect currency demand and currency supply.
61. Define currency appreciation and depreciation and relate both to graphical analysis.
62. State the effects of appreciation and depreciation on a country’s net exports.
63. Understand how changes in net exports and capital flows affect financial and goods markets.

II Outline of Content for Major Areas of Study

1. Basic Economic Concepts

- A. Scarcity, choice and opportunity costs
- B. Production Possibilities Curve
- C. Comparative advantage, absolute advantage, specialization and exchange
- D. Demand, supply and market equilibrium
- E. Macroeconomic issues: business cycle, unemployment, inflation, growth.

2. Measurement of Economic Performance

- A. National Income Accounts
 1. Circular flow
 2. Gross Domestic Product
 3. Components of Gross Domestic Product
 4. Real versus nominal Gross Domestic Product
- B. Inflation measurement and adjustment
 1. Price indices
 2. Nominal and real values
 3. Costs of inflation
- C. Unemployment

1. Definition and measurement
2. Types of unemployment
3. Natural rate of unemployment

3. National Income and Price Determination

- A. Aggregate Demand
 1. Determinants of aggregate demand
 2. Multiplier and crowding-out effects
- B. Aggregate Supply
 1. Short-run and long-run analyses
 2. Sticky versus flexible wages and prices
- C. Macroeconomic equilibrium
 1. Real output and price level
 2. Short and long run
 3. Actual versus full-employment output
 4. Economic fluctuations

4. Financial Sector

- A. Money, banking and financial markets
 1. Definition of financial assets: money, stocks, bonds
 2. Time value of money (present and future value)
 3. Measures of money supply
 4. Banks and creation of money
 5. Money Demand
 6. Money Market
 7. Loanable funds market
- B. Central bank and control of the money supply
 1. Tools of central bank policy
 2. Quantity theory of money
 3. Real versus nominal interest rates

5. Inflation, Unemployment, and Stabilization Policies

- A. Fiscal and monetary policies
 1. Demand-side effects
 2. Supply-side effects
 3. Policy mix
 4. Government deficits and debt
- B. Inflation and unemployment
 1. Types of inflation
 - a. Demand-pull inflation
 - b. Cost-push inflation
 2. The Phillips curve: short run versus long run
 3. Role of expectations

6. Economic Growth and Productivity

- A. Investment in human capital

- B. Investment in physical capital
- C. Research and development, and technological progress
- D. Growth policy

7. Open Economy: International trade and Finance

- A. Balance of payments accounts
 - 1. Balance of trade
 - 2. Current account
 - 3. Capital account
- B. Foreign exchange market
 - 1. Demand for and supply of foreign exchange
 - 2. Exchange rate determination
 - 3. Currency appreciation and depreciation
- C. Net exports and capital flows
- D. Links to financial and goods markets

III Accountability Determinants

- A. In class lecture notes
- B. Homework
- C. Graph, chart and diagram analysis questions
- D. Simulation activities
- E. Quizzes
- F. Exams

IV Required Text(s)

“Economics: Principles, Problems & the Policies,” 19th Edition, McConnell/Brue, McGraw Hill.

V Supplementary Materials

5 Steps to a 5 AP Microeconomics/Macroeconomics, 2012-2013 Edition (5 Steps to a 5 on the Advanced Placement Examinations Series) Dodge, Eric R., McGraw Hill