AP® Macroeconomics Syllabus

Table of Contents	Syllabus Page
SC1 The course provides instruction in basic economic concepts, such as marginal analysis and opportunity costs.	**4**
SC2 The course provides instruction in measurement of economic performance, national income and price level determination.	**5**
SC3 The course provides instruction in unemployment and inflation.	**5, 7**
SC4 The course provides instruction in the financial sector.	**6**
SC5 The course provides instruction in stabilization policies.	**6**
SC6 The course provides instruction in economic growth and productivity.	**8**
SC7 The course provides instruction in open economy and international trade and finance.	**7**
SC8 The course promotes understanding of aggregate economic activity and the critical evaluation of determinants of economic progress and economic decisions made by policy makers.	**5, 7**
SC9 The course teaches students how to generate charts and graphs to describe economic concepts.	**4, 5, 6, 7**
SC10 The course teaches students how to interpret and analyze charts, graphs and data to describe economic concepts.	**5, 6, 7, 8**

AP® Macroeconomics Syllabus

COURSE DESCRIPTION AND GOALS

Macroeconomics is the branch of economics that seeks to understand economy-wide phenomena such as unemployment, inflation, the business cycle, and economic growth, and the policies national governments can use to address these issues. Students will learn about core economic concepts, how to measure an economy's economic performance, the forces that determine the level of a country's production and prices, the financial sector, policies that promote economic growth and stability, and the impact of international trade and international finance on national economies.

By the end of this class, students should be able to:

1) Analyze the factors that determine countries' levels of economic growth, unemployment, and inflation and predict the effects of those factors;
2) Analyze, interpret, and create graphs to explain economic phenomena;
3) Apply monetary and fiscal policy to counteract economic problems;
4) Gain sufficient understanding, analytical skill, and problem solving ability to pass the AP test for university credit;
5) Critically evaluate competing economic perspectives and make choices over economic policy as informed, competent, and responsible members of our democracy.

WHO SHOULD TAKE THIS COURSE?

AP® Macroeconomics is a one-semester, college-level course. Each student is expected to take the AP Macroeconomics Exam that is administered in May. Successful achievement on the AP Exam allows the student to earn three hours of college credit.

Though all students are expected to take the AP Exam, the course is intended to meet the needs of a variety of students, from those intending to pursue college work in business or government and seeking a firm foundation in theory, to those planning to join the labor force directly out of high school and wanting to understand their role in the national economy.

Calculus is not required for the course. Graphing skills, however, are imperative.

COURSE READINGS

- **Main Textbook:**
  - McConnell, Campbell R. and Stanley L. Brue. *Economics: Principles, Problems, and Policies.* 15th edition. New York: McGraw-Hill, 2002. ISBN: 0-07-234036-3
- **Student Reader:**
  - Buchholz, Todd G. *New Ideas from Dead Economists: An Introduction to Modern Economic Thought.* Revised edition. New York, NY: Plume, Penguin Group, 1989. ISBN: 0-452-26533-9
  - Anderson, David. *Economics by Example.* Worth Publishers, 2006.
- **AP Exam Preparation Guide:** Dodge, Eric. *5 Steps to a 5 AP Macroeconomics.*
- **Supplementary Readings** (excerpts supplied by teacher)
  - Bade, Robin and Michael Parkin. *Foundations of Economics: AP Edition.* Boston, MA: Pearson, Addison Wesley.
  - Goodwin, Neva, et. al. *Macroeconomics in Context.* 2nd edition. Armonk, NY: M.E. Sharpe, 2013.
  - Anderson, David and Ray, Margaret. *Krugman's Macroeconomics for AP**. W.H. Freeman & Company, 2010.
  - Sackrey, Charles and Geoffrey Schneider, with Janet Knoedler. *Introduction to Political Economy.* 5th Edition. Boston, MA: Economic Affairs Bureau, September 2008. ISBN: 978-1-878585-72-1
  - Fireside, Daniel and John Miller, eds. *Real World Macro.* Boston, MA: Economic Affairs Bureau.

- **Activities Manuals** (excerpts supplied by teacher)
  - Morton, John S. and Goodman, Rae Jean B. *Advanced Placement Economics: Macroeconomics: Student Activities.* 4th edition. New York, NY: Council for Economic Education, 2003. ISBN: 1-56183-567-6
  - Keenan, Diane and Mark H. Maier. *Economics Live! Learning Economics the Collaborative Way.* 2nd edition. New York, NY: McGraw-Hill, 1995.
  - Kleinschmidt, Ulrich. Activities, A.P. Macroeconomics Summer Institute.

ASSESSMENT AND GRADING POLICY

- **Quizzes, Unit Tests, Daily Grades:**
  - **Quizzes** will usually be composed of several multiple choice questions and, when appropriate, one Free Response Question (FRQ). Multiple choice questions are taken from the text publisher's test bank. All multiple choice questions contain 5 answer choices, phrased in the same style as the College Board AP examination.
  - **Unit Tests** follow the end of a unit and will be composed of multiple choice questions, one long FRQ and one short FRQ. The FRQs will be taken from released AP test samples or variations of those questions. The main themes of free-response questions will be: aggregate models, Keynesian versus Monetary policies, money markets, stability and the Phillips Curve, international trade of currencies, and comparative advantages [depending on the unit of study]. The solutions to the free response questions are scored with a grading rubric similar to the scoring of the AP® exam.
  - **Daily grades** include class discussion and participation, reading quizzes, graphing problems, oral and written responses to sample "free-response" questions, and workbook activities.

ATTENDANCE, TARDIES, AND ASSIGNMENTS

You are expected to attend and participate in each class meeting. Make-up work will not compensate for the experience and knowledge gained in class. Students who miss class frequently will have difficulty mastering the material and may not pass the class.

CURRENT EVENTS

It is important to keep up with the news since there is so much talk about the economy right now. Class discussions and lectures will consistently refer to and be informed by current issues, data, and events. The list of current economic news sources below gives you a place to start as you explore real-world applications of economic concepts and ideas.

Good sources of current economic news and debate:

- Wall Street Journal: http://online.wsj.com/public/us
- The Economist http://www.economist.com/
- New York Times (Op-Eds and Business Section in particular): http://www.nytimes.com/
- The American Prospect http://www.prospect.org/
- Financial Times http://www.ft.com/world
- Paul Krugman http://krugmanonline.com/
- Dollars and Sense (publisher of *Real World Macro*): http://www.dollarsandsense.org/
- National Public Radio http://www.npr.org/templates/story/story.php?storyId=1017
- Cato Institute http://www.cato.org/

COURSE PLAN

Outline and Summary

Unit	Topic	# of weeks	Timeline
1	Basic Economic Concepts	2.5	Weeks 1, 2, and 3
2	Measuring Economic Performance	2.5	Weeks 3, 4, and 5
3	Aggregate Demand and Aggregate Supply: National Income and Price Level Determination	2.5	Weeks 6, 7, and 8
4	Financial Sector and Stabilization Policies	4.5	Weeks 8, 9, 10, 11, 12
5	International Economics	2	Weeks 13, 14
	Review for A.P. Exam	1	Week 15
6	Personal Finance (post – A.P. Exam)	2	Weeks 16, 17

UNIT 1: BASIC ECONOMIC CONCEPTS (2.5 weeks)

SC1 The course provides instruction in basic economic concepts, such as marginal analysis and opportunity costs.

Key Topics:

A. Introduction to Macroeconomics
   1. Analyze main macroeconomic goals - growth, stability, sustainability
   2. Compare and contrast the classical and Keynesian schools of macroeconomics.
   3. Graphs, models, and *ceteris paribus* assumption

B. Economic decision making
   1. Scarcity and choice
   2. Factors of production – land, labor, capital
   3. Opportunity costs – Define and calculate.
   4. Production possibilities frontiers/curves (PPFs)
      a. Interpret and create PPFs to illustrate the economic problem.
      b. Calculate opportunity costs using a PPF.
      c. Interpret and illustrate the efficient, inefficient, and unattainable use of resources on a PPF.
      d. Analyze and illustrate the effect of changes in productivity and economic growth on a PPF.

C. Economic activities and the circular flow model of income
   1. Categorize activities as resource maintenance, production, distribution, and consumption.
   2. Create a simple circular flow model to illustrate how households, firms, and governments interact in a mixed economy.

SC9 The course teaches students how to generate charts and graphs to describe economic concepts.

D. Demand and Supply [Discussion]
   1. Define and illustrate demand/supply through schedules and graphs.
   2. Laws of demand/supply: Explain the inverse relationship between quantity/supply demanded and price.
   3. Distinguish between change(s) in quantity demanded/supplied and change(s) in demand/supply.
   4. Identify and explain the variables that cause a change in demand/supply.
   5. Illustrate graphically a change in demand/supply vs. a change in quantity demanded/supplied.

E. Markets, equilibrium price, and equilibrium quantity
   1. Identify and illustrate surpluses and shortages.
   2. Determine the effects of surpluses and shortages on prices and quantities.
   3. Interpret the effects of a price floor and price ceiling on equilibrium price and quantity.

UNIT 2: MEASURING ECONOMIC PERFORMANCE (2.5 weeks)

Key Topics:

A. National income accounting
   1. Gross domestic product
      a. Expenditure approach
      b. Income approach
   2. Changing nominal to real GDP: Why and how?
   3. Consumer price index
   4. Limitations of real GDP as measure of output and well-being

B. Economic Growth and Business Cycles
   1. Economic growth
   2. Business cycles: phases, causes, and patterns – What's the difference between fluctuations in output and long-term economic growth?

C. Unemployment
   1. Definition and measurement of employment and unemployment
   2. Flaws in accounting for unemployment
   3. Types of unemployment: seasonal, frictional, structural, and cyclical
   4. Natural rate of unemployment / full employment – Why is there unemployment at full employment?
   5. GDP gap and the costs of unemployment

D. Inflation
   1. Definition and measurement of inflation – what's the difference between a price level and inflation?
   2. Calculation of price indexes, the CPI, and the rate of inflation
   3. Types of inflation: demand-pull and cost-push inflation
   4. Nominal and real quantities
   5. Effects of inflation on people and output

SC2 The course provides instruction in measurement of economic performance, national income and price level determination.

SC10 The course teaches students how to interpret and analyze charts, graphs and data to describe economic concepts.

SC3 The course provides instruction in unemployment and inflation.

UNIT 3: AGGREGATE DEMAND AND AGGREGATE SUPPLY: NATIONAL INCOME AND PRICE LEVEL DETERMINATION (2.5 weeks)

Key Topics:

A. Consumption and Savings
   1. Consumption and savings functions, links – effect of changes in DI
   2. Average and marginal propensities to consume and save
   3. Non-income factors that shift the consumption function

B. Investment
   1. Expected rate of return, nominal vs. real interest rates
   2. Investment demand curve – effect of changes in real interest rate
   3. Non-interest rate factors that shift the investment demand curve
   4. Instability of investment – expectations of profit rates, irregularity of innovation

C. Spending multiplier: the math and its effects on equilibrium GDP

D. Impact of international trade and government spending, taxes, and transfers on aggregate expenditures

SC8 The course promotes understanding of aggregate economic activity and the critical evaluation of determinants of economic progress and economic decisions made by policy makers.

SC9 The course teaches students how to generate charts and graphs to describe economic concepts.

F. Aggregate demand (AD) and Short Run Aggregate supply (SRAS)
    1. Components of AD
    2. Reasons for AD curve's shape: purchasing power, interest rate effect, and net export effect
    3. Non-price factors that shift the AD curve
    4. Reasons for shape of SRAS: Classical vs. Keynesian views, short-run vs. long-run, ranges
    5. Non-price factors that shift the SRAS curve
G. Short–run macroeconomic equilibrium and fluctuations
    1. Shape of long-run aggregate supply (LRAS) curve
    2. Actual output vs. full-employment output, recessionary vs. inflationary gaps
    3. Graphing effects of aggregate demand shocks on price level and output in AD-AS Model
    4. Graphing effects of aggregate supply shocks on price level and output in AD-AS Model
H. Long-run macroeconomic equilibrium
    1. Sticky versus flexible wages and prices
    2. Long-run adjustment in classical theory
    3. 3 AD-AS models: "Ranges," Updated, and Modern
    4. Changes in real output and the price level in the three ranges

SC10 The course teaches students how to interpret and analyze charts, graphs and data to describe economic concepts.

SC10 The course teaches students how to interpret and analyze charts, graphs and data to describe economic concepts.

SC9 The course teaches students how to generate charts and graphs to describe economic concepts.

UNIT 4: FINANCIAL SECTOR AND STABILIZATION POLICIES (4.5 weeks)

Key Topics:

A. Compare and contrast macroeconomic schools: causes of macro instability, stabilization policies
    1. Classical
    2. Keynesian
    3. Monetarist
B. Fiscal policy and aggregate demand
    1. Definition
    2. Discretionary fiscal policy and the multiplier effect
        a. Demand-side effects: government expenditure and tax multipliers
        b. Supply-side effects
    3. Expansionary fiscal policy – shifts in aggregate demand curve
    4. Expansionary fiscal policy – shifts in aggregate demand curve
    5. Short-run effects on output and the price level
    6. Automatic stabilizers
C. Interest rate and the loanable funds market
    1. Loanable funds market
        a. Rate of return and firms' decisions to borrow for investment
        b. Non-interest factors that shift demand and supply curves for loanable funds
    2. Bank expectations and the real interest rate
    3. Fisher effect
D. Money, the banking system, and the money supply
    1. Money – definition, functions, and time value
    2. Relationship of money supply to nominal GDP
    3. Measures of the money supply (M1, M2)
    4. How the banking system works
    5. Banks and the creation of money

SC5 The course provides instruction in stabilization policies.

SC9 The course teaches students how to generate charts and graphs to describe economic concepts.

SC4 The course provides instruction in the financial sector.

a. Assets, liabilities, and T-account/balance statements
b. Bank runs and bank regulation
c. Reserves, bank deposits and the money multiplier

6. Types of financial assets

E. Federal Reserve, monetary policy, and aggregate demand

1. Demand for money
   a. Interest rates, opportunity costs of holding money, shape of money demand curve
   b. Non-interest factors that shift the money demand curve
2. Structure of the Fed
3. Tools of central bank policy
   a. Required reserve ratio
   b. Discount rate
   c. Open-market operations
4. Money market, open-market operations, and federal funds rate – How is the interest rate determined?
5. Monetary policy
   a. Expansionary monetary policy – shifts in aggregate demand curve
   b. Contractionary monetary policy – shifts in aggregate demand curve
   c. Short-run effects of monetary policy on real and nominal interest rates

SC9 The course teaches students how to generate charts and graphs to describe economic concepts. and

SC8 The course promotes understanding of aggregate economic activity and the critical evaluation of determinants of economic progress and economic decisions made by policy makers.

F. Monetary and Fiscal Policy Interactions and Limitations of Macroeconomic policies

1. Coordinating monetary and fiscal policy
2. Link between loanable funds market and money market
3. Criticisms/limits of fiscal policy
   a. Budget deficits, the federal debt, and crowding out effect
4. Criticisms of monetary policy
   a. Quantity theory of money - velocity of money, equation of exchange
   b. Rational expectations theory, self-correction of the economy, and effects of monetary policy in long run

SC3 The course provides instruction in unemployment and inflation.

I. Unemployment - Inflation Relationship

1. Demand-pull inflation, cost-push inflation, and the aggregate AD/AS model
2. Short-run Phillips curve
3. Long-run Phillips curve and role of expectations
4. Effect of expectations

UNIT 5: INTERNATIONAL ECONOMICS (2 weeks)

SC7 The course provides instruction in open economy and international trade and finance.

Key Topics:

A. International trade

1. Patterns of trade: U.S. and World Trade
2. Theory of gains from trade: Production possibilities, comparative advantage, absolute advantage, and specialization
3. Supply and demand analysis of exports and imports
4. Trade barriers and their effects
5. Case for protectionism
6. Trade agreements and institutions

B. International Finance

1. Current account, capital/financial account, and balance of payments
2. Net exports and capital flows – balance of payments equation

3. Foreign exchange markets
    a. Demand for and supply of foreign exchange
    b. Exchange rate determination
    c. Currency appreciation and depreciation
4. Effect of net exports on capital flows, exchange rates, and interest rates in loanable funds market
5. Effect of monetary and fiscal policies on exchange rates and the trade balance and limits of macroeconomic policies in an open economy
6. Exchange rate policies: Advantages and disadvantages of floating vs. fixed exchange rates

C. Long-run Economic Growth and Productivity

SC6 The course provides instruction in economic growth and productivity.

1. Patterns of growth and development – real GDP per capita, industrialization, growth, and global inequality
2. Sources of long-run growth
    a. Importance of productivity
    b. Investment in physical capital
    c. Investment in human capital
    d. Research and development, and technological progress
    e. What about natural resources?
3. Development policies
4. Graphing long-run economic growth on PPFs and AD – AS model
5. Growth and environmental sustainability

UNIT 1: BASIC ECONOMIC CONCEPTS (2.5 weeks)

TOPIC	KEY TERMS	KEY GRAPHS AND EQUATIONS
Introduction to Macroeconomics	microeconomics, macroeconomics, unemployment, full employment, inflation, price stability, economic growth, well-being, living standards growth, business cycle, sustainability, classical economics, laissez-faire economy, Keynesian economics, independent variable, dependent variable, *ceteris paribus* assumption	
Economic decision making	good, service, scarcity, factor of production, land (natural resource/natural capital), labor, capital (capital good), material, input, output, trade-off, opportunity cost, production possibilities frontier/curve, efficiency, productivity, human capital, consumer good	• Production Possibilities Frontier/Curve (PPF/PPC)
Economic activities & circular flow model	resource maintenance, production, distribution, exchange, transfer, sector, household, consumer, firm, market, product market, factor market, circular flow model	• Circular Flow Model
Demand and Supply	demand, demand schedule, demand curve, "law" of demand, change in quantity demanded, change/shift in demand, substitute good, complementary good, supply, supply schedule, supply curve, "law" of supply, change in quantity supplied, change/shift in supply	• Supply graph • Demand graph
Markets, equilibrium price, and equilibrium quantity	market equilibrium, equilibrium price, equilibrium quantity, surplus, shortage, price ceiling, price floor	• Supply and Demand graph

UNIT 2: MEASURING ECONOMIC PERFORMANCE (2.5 weeks)

TOPIC	KEY TERMS	KEY GRAPHS AND EQUATIONS
National Income Accounting	National income accounting, gross national product (GNP), gross domestic product (GDP), expenditure approach, final good, multiple counting, personal consumption expenditures (C), gross private investment (Ig), net exports (Xn, X – M), GDP formula, non-market, intermediate good, transfer payment, national income, nominal GDP, real GDP, price index, consumer price index (CPI), market basket, GDP deflator, income approach, informal economy,	• Gross Domestic Product, Spending Approach • Gross Domestic Product, Income Approach • Rule of 70: approximate # of years required to double y = 70/annual percentage rate of growth in y • GDP = C + Ig + G + Xn • Price index number = (weighted cost of base-period items in current-year prices/weighted cost of base-period items in base-year prices) X 100
Economic Growth and Business Cycles	Economic growth, per capita GDP, rule of 70, business cycle, peak, recession/contraction/downturn/slump, trough, recovery/expansion/upswing, fluctuation, secular trend, procyclical, countercyclical	• Business Cycles and the Secular Trend • Annual rate of growth in real GDP = (Real GDP Year2 – Real GDP Year1)/Real GDP Year1 • Rule of 70
Unemployment	Employed, unemployed, labor force, unemployment rate, labor force participation rate, discouraged worker, underemployed worker, seasonal unemployment, frictional unemployment, structural unemployment, cyclical unemployment, full-employment rate of unemployment / natural rate of unemployment (NRU), GDP gap, potential output, Okun's law	• GDP gap = (Actual UR – NRU) x 2 • GDP gap = (Potential GDP – Actual GDP)/Potential GDP
Inflation	Inflation, income, wealth, consumer price index (CPI), base year, rate of inflation, demand-pull inflation, cost-push inflation, saver, lender, debtor, anticipated inflation, unanticipated inflation, cost-of-living adjustments (COLA), nominal income, real income, nominal interest rate, real interest rate, deflation, hyperinflation, purchasing power	• CPI = (Cost of CPI basket at current period prices/Cost of CPI basket at base period prices) x 100 • Rate of inflation = (current-year price index – base-year price index)/base-year price index X 100 • Real interest rate = Nominal interest rate – expected rate of inflation (inflation premium)

UNIT 3: AGGREGATE DEMAND AND AGGREGATE SUPPLY: NATIONAL INCOME AND PRICE LEVEL DETERMINATION (2.5 weeks)

TOPIC	KEY TERMS	KEY GRAPHS AND EQUATIONS
Consumption and Saving	consumption, saving, disposable income (DI), consumption function, average propensity to consume (APC), average propensity to save (APS), marginal propensity to consume (MPC), marginal propensity to save (MPS), wealth, asset, consumer indebtedness, consumer confidence, personal income tax	• Consumption function • S = DI – C • APC = C/I • APS = S/I • MPC = change in C/change in I • MPS = change in S/change in I
Investment	Gross private investment, investment demand (ID) curve, expected rate of return / rate of profit, planned investment, nominal interest rate, real interest rate, inventory, unplanned inventory, capital stock, excess productive capacity, volatility, productivity, business optimism / pessimism, business income tax	• Investment Demand curve (domestic) • Rate of return = (Revenue from project – Cost of project)/Cost of project x 100 • Real interest rate = nominal interest rate – inflation rate • Productivity = output/input
Spending Multiplier and Equilibrium GDP	Aggregate expenditures, equilibrium GDP, leakage, injection, multiplier effect, recessionary gap, inflationary gap, spending multiplier, autonomous expenditure	• MPC + MPS = 1 • Spending multiplier = 1/(1-MPC) = 1/MPS
Net Exports, Government, and Aggregate Demand	lump-sum tax, tax multiplier	•
Aggregate Demand (AD) and Short Run Aggregate Supply (SRAS)	aggregate demand, aggregate price level, wealth effect, interest rate effect, foreign purchases effect, short-run aggregate supply curve (SRAS), demand shock, supply shock, productivity	• Aggregate Demand (AD) curve • Short Run Aggregate Supply (SRAS) curve
Short-run macroeconomic equilibrium and fluctuations	short-run macroeconomic equilibrium, equilibrium aggregate price level, equilibrium aggregate output, stagflation,	• AD-AS Model (Modern)
Long-run macroeconomic equilibrium	aggregate demand - aggregate supply (AD-AS) model, long-run aggregate supply curve (LRAS), full employment level of output / potential output, long-run macroeconomic equilibrium, actual output, output gap, recessionary gap, inflationary gap, horizontal range (of SRAS curve), nominal wages, sticky, intermediate range (of SRAS curve), vertical range (of SRAS curve), nominal wages, sticky wages / prices, flexible wages / prices	• AD-AS Model (“Ranges”)

UNIT 4: FINANCIAL SECTOR AND STABILIZATION POLICIES (4.5 weeks)

TOPIC	KEY TERMS	KEY GRAPHS AND EQUATIONS
Macroeconomic schools	Classical school, Say's Law, laissez-faire policy, Keynesian school, animal spirits, leakage, active stabilization policy, policy, monetarist school	
Fiscal policy	fiscal policy, transfer, federal budget, expenditure/outlay, revenue, budget surplus, budget deficit, budget balance, discretionary fiscal policy, stimulus, automatic fiscal policy, tax multiplier, expansionary fiscal policy, contractionary fiscal policy, automatic/built-in stabilizers, deficit spending, national (public) debt, crowding-out effect, balanced budget, balanced-budget multiplier	• Spending multiplier = 1/(1-MPC) = 1/MPS • Tax multiplier = --MPC/(1-MPC)
Interest, the loanable funds market, and demand for money	loanable funds market, interest rate, rate of return, demand for loanable funds, supply for loanable funds, real interest rate, nominal interest rate, private savings behavior, capital inflow / outflow, Fisher effect	• Loanable Funds Graph
Money, the banking system, and the money supply	Money, medium of exchange, standard of value, store of value, purchasing power, demand for money, money demand curve, checkable deposit / demand deposit, bank, currency, asset, M1, liquid, near-money, M2, liquidity, risk, bank reserves, T-account / balance statement, liability, asset, deposit insurance, reserve ratio / reserve requirement (RR), bank run, capital requirement, required reserves, excess reserves, creation of money, excess reserves, T-bill (treasury bill) monetary base, money supply, change in money supply, money multiplier,	• Money multiplier: 1/RR
Federal Reserve and monetary policy	central bank, Federal Reserve, Federal Open Market Committee (FOMC), discount rate, federal funds market, federal funds rate, reserve ratio / reserve requirement (RR), open-market operation, bond/security, money supply curve, money market, target federal funds rate, expansionary / easy money monetary policy, contractionary / tight money monetary policy, countercyclical, discount window, monetary policy neutrality	• Money Market Graph
Monetary and Fiscal Policy Interactions and Criticisms / Limitations of Macroeconomic Policy	crowding out effect, net export effect, New Classical / Neo-Classical school, quantity theory of money, monetarist equation of exchange, velocity of money, rational expectations theory, self-correction, wage inflexibility / sticky wages, monetary rule, supply-side economics, Laffer Curve, time lag	• Monetarist equation of exchange MV = PQ
Inflation-Unemployment Relationship	short-run Phillips Curve, stagflation, long-run (vertical) Phillips Curve, disinflation	• Short-run Phillips Curve • Long-run Phillips Curve

UNIT 5: INTERNATIONAL ECONOMICS (2 weeks)

TOPIC	KEY TERMS	KEY GRAPHS AND EQUATIONS
International Trade	Trade, export, import, productivity, comparative advantage, absolute advantage, cost ratio, terms of trade, gains from trade, input method, output method, opportunity cost, world price, domestic price, equilibrium world price, multinational corporation, trade barrier, protective tariff, import quota, nontariff barrier, export subsidy	• Comparative advantage problems
International Finance	foreign exchange market, exchange rate, depreciation, appreciation, trade deficit, trade surplus, balance of payments accounts, credit, debit, current account, trade balance, capital/financial account, fixed exchange-rate, flexible-/floating- exchange-rate, exchange market intervention, foreign exchange reserves, foreign exchange controls	• Domestic Currency Market • Foreign Exchange Market • Balance of Payments Account
Long-run Economic Growth and Development	Long-run economic growth, economic development, convergence hypothesis, labor productivity, physical capital, human capital, technology, research and development (R&D), infrastructure, sustainability, division of labor, specialization	• Productivity = output/input

UNIT 6: PERSONAL FINANCE (Post AP- Exam)

These topics are part of the general economics curriculum of the state and are covered as time permits at the end of the course after AP Exam Review or the administration of the AP Macroeconomics exam in May.

- Financial Goals, Saving, & Budgeting
- Smart & Responsible Spending
- Insurance and Taxes
- Checking and Savings Accounts
- Investing for Retirement
- Credit Cards, Credit, & Debt
- Home, Car, and College Loans