

AP® Macroeconomics

Syllabus 3

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.

AP Macroeconomics emphasizes economic principles as applied to the economy as a whole. Topics discussed will reflect the material included in the booklet *AP Economics Course Description* from the College Board. Lessons include an analysis of national income and its components, economic indicators, inflation and unemployment, money and banking, stabilization policies, and the United States and world trade.

Textbook

McConnell, Campbell, and Stanley Brue. *Economics*, 16th ed. McGraw-Hill/Irwin, 2005.

Workbook

Morton, John. *Advanced Placement Economics Macroeconomics Student Activities*, 3rd ed. New York: National Council on Economic Education, 2003.

Additional Readings

Wall Street Journal

Local newspaper articles

Magazine articles

Unit One: Basic Economic Concepts

Basic Economic Concepts [CR1]

- A. Scarcity, choice, and opportunity cost
- 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

CR1 —The course provides instruction in basic economic concepts.

Chapters Included in Unit One

McConnell, Chapters 1, 2, 3, 6

List of Key Concepts and Graphs

Concepts: Introduction to the language of economics, micro vs. macro, positive vs. normative economics, economic decision making, pitfalls of decision making, scarcity, opportunity costs, production possibilities, absolute advantage, comparative advantage, specialization, terms of trade, demand schedule, determinants of demand, individual and market demand curves, supply schedule, determinants of supply, market equilibrium, shifts in supply and demand with effects on equilibrium price and quantity, introduction of key macroeconomic issues [CR1]

CR1—The course provides instruction in basic economic concepts.

Graphs

Production possibilities curve (frontier)

Demand and supply curves showing equilibrium

Demand and supply curves showing shifts in demand/supply [CR9]

CR9—The course teaches students how to generate, interpret, label, and analyze graphs, charts, and data to describe and explain economic concepts.

List of key words or terms

Key terms: economics, factors of production—inputs, capital, microeconomics, macroeconomics, positive economics, normative economics, ceteris paribus, fallacy of composition, scarcity, opportunity cost, model, production possibilities, constant costs, law of increasing opportunity cost, absolute advantage, comparative advantage, specialization, terms of trade, demand, law of demand, quantity demanded, market demand, substitutes, complements, normal goods, inferior goods, supply, law of supply, quantity supplied, market equilibrium, equilibrium price, equilibrium quantity, business cycle, recession, trough, recovery, unemployment, inflation, economic growth

Web Resources

<http://www.indiana.edu/~econed/jee.htm>

<http://www.ncee.net>

<http://www.reffonomics.com>

Videos

Economics U\$A

1. Resources and scarcity: what is economics all about? [CR8]
2. Markets: Do they serve our needs
3. Paul Solman videos for use with McConnell, Brue, 16th ed., Chapters 1, 2, 3, and 6

CR8—The course promotes the understanding of aggregate economic activity; the utilization of resources within and across countries; and the critical evaluation of determinants of economic progress and economic decisions made by policymakers.

Simulation Games

Resource Scarcity Game

Market in Wheat (John Morton, *Advanced Placement Economics*, Instructor's Manual, 2nd ed.)

Activities

Morton. *Advanced Placement Economics*, Activities 1–8.

Other print resources—books or articles

Ten Principles of Economics, in *Principles of Economics*, 3rd ed.,

by Greg Mankiw

10 Steps to Success, *Cracking the AP Economics Examination*, by

David Anderson

Timeline for Unit One

Day Class Activity

- | | |
|-----|---|
| 1 | Introduction to the economic way of thinking, Chapters 1 and 2 |
| 2 | Discussion of scarcity, opportunity costs/Resource Scarcity Game |
| 3 | Production possibilities, Chapter 2 |
| 4–5 | Absolute and comparative advantage, terms of trade, Chapter 6 |
| 6 | Test on introductory information/ begin demand, Chapter 3 |
| 7 | Demand, donut-eating exercise |
| 8 | Shifts in demand, begin supply |
| 9 | Quiz on demand, shifts in supply, changes in equilibrium price/quantity |
| 10 | Macroeconomic issues |
| 11 | Finish material/study guide discussion |
| 11 | Unit One test |

Unit Two: Measurement of Economic Performance

AP Outline

Measurement of Economic Performance [CR2]

National income accounts

1. Circular flow
 2. Gross domestic product
 3. Components of gross domestic product
 4. Real versus nominal gross domestic product
2. Inflation measurement and adjustment
 1. Price indices
 2. Nominal and real values
 3. Costs of inflation
 3. Unemployment
 1. Definition and measurement
 2. Types of unemployment
 3. Natural rate of unemployment

CR2—The course provides instruction in measurements of economic performance.

Chapters Included in Unit Two

McConnell, Chapters 7, 8

List of key concepts and graphs

Concepts: Circular flow of economic activity, inclusions and exclusions concerning gross domestic product, expenditure approach to GDP, income approach to GDP, nominal versus real GDP, phases of the business cycle, types of unemployment, full employment, measurements of inflation, types of inflation, effects of inflation

Graphs

Circular flow of economic activity

Phases of the business cycle **[CR9]**

CR9—The course teaches students how to generate, interpret, label, and analyze graphs, charts, and data to describe and explain economic concepts.

List of Key Words or Terms

Key Terms: Gross domestic product, intermediate goods, final goods, multiple counting, expenditure approach, income approach, personal consumption expenditures, gross private domestic investment, net private domestic investment, government purchases, net exports, national income, consumption of fixed capital, depreciation, personal income, disposable personal income, nominal GDP, real GDP, GDP deflator, peak, recession, trough, recovery, labor force, unemployment rate, frictional unemployment, structural unemployment, cyclical unemployment, full-employment rate of unemployment, natural rate of unemployment, inflation, Consumer Price Index, demand-pull inflation, cost-push inflation, nominal income, real income, deflation

Web Resources

<http://www.reffonomics.com>

<http://www.bls.gov>

<http://www.ncee.net>

www.apcentral.collegeboard.com

Videos

Economics U\$A: What is GNP? video (provides useful information that can easily be adapted for GDP)

Paul Solman videos, Chapters 7 and 8

Activities

Advanced Placement Economics, Activities 12–17.

Timeline for Unit Two

Day Class Activity

1 Video—*What is GNP?*

- 2 Components of GDP, expenditure approach, income approach (Chapter 7)
- 3 Quiz, exercise on nominal and real GDP
- 4 Types of unemployment (Chapter 8)
- 5 Types of inflation
- 6 Determining real and nominal values using price indexes
- 7 Effects of inflation—short play on inflation
- 8 Review activities from Morton workbook
- 9 Unit Two Test

Unit Three: National Income and Price Determination

AP Outline

National Income and Price Determination [CR3]

- 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
 3. Determinants of aggregate supply
- C. Macroeconomic equilibrium
 1. Real output and price level
 2. Short and long run
 3. Actual versus full employment output
 4. Economic fluctuations

CR3—The course provides instruction in national income and price determination.

Chapters Included in Unit Three McConnell, Chapters 9 and 11

List of Key Concepts and Graphs

Concepts: marginal propensity to consume, the multiplier effect, reasons for a downward sloping aggregate demand curve, determinants of aggregate demand, aggregate supply in the short and long run, sticky versus flexible prices and wages, determination of equilibrium output and price level, actual versus full employment, **utilization of resources** [CR8]

CR8—The course promotes the understanding of aggregate economic activity; the utilization of resources within and across countries; and the critical evaluation of determinants of economic progress and economic decisions made by policymakers.

Graphs

Investment demand curve

Aggregate demand and short run aggregate supply curve

Aggregate demand and long run aggregate supply curve [CR9]

CR9—The course teaches students how to generate, interpret, label, and analyze graphs, charts, and data to describe and explain economic concepts.

List of key words and terms

Key terms: Marginal propensity to consume, marginal propensity to save, investment, multiplier, investment schedule, leakage, injection, real balances effect, interest-rate effect, foreign purchases effect, aggregate demand, short-run aggregate supply, equilibrium price level, equilibrium real output

Web Resources

<http://www.reffonomics.com>

<http://www.ncee.net>

Videos

Paul Solman videos for use with *Economics*

Economics \$USA: Supply Creates its Own Demand

Activities

Advanced Placement Economics, Activities 20-29

Jeopardy

Timeline for Unit Three

Day Class Activity

- 1 Introduce marginal propensity as it applies to consumption and savings Chapter 9
- 2 Multiplier effect
- 3 Aggregate demand and its determinants Chapter 11
- 4 Quiz on aggregate demand determinants, introduce short run aggregate supply
- 5 Short run and long run aggregate supply
- 6 Sticky versus flexible wages and prices, equilibrium real output and prices
- 7 Supply shocks, changes in aggregate demand
- 8 Jeopardy review activity
- 9 Unit Three Test

Unit Four: Financial Sector

Financial Sector [CR4]

- 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 the 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

CR4—The course provides instruction in the financial sector.

Chapters Included in Unit Four

McConnell, Chapters 13, 14, 15, and 29

List of key concepts and graphs

Concepts: Functions of money, characteristics of money, measures of money, demand for money, the money market, the creation of money, loanable funds market, organization of the Federal Reserve, tools of monetary policy, responsibilities of the Fed, quantity theory of money

Graphs

Money market

Loanable funds market

List of key words and terms

Key terms: medium of exchange, store of value, measure of value, M1, M2, M3, checkable deposits, demand deposits, time deposits, legal tender, asset demand, transaction demand, balance sheet, T account, fractional reserve banking system, required reserves, excess reserves, actual reserves, federal funds rate, prime interest rate, discount rate, open-market operations, monetary multiplier, nominal interest rate, real interest rate, FDIC, velocity of money

Web Resources

Federal Reserve Bank sites

<http://www.reffonomics.com>

<http://www.ncee.net>

Video

The Fed Today

Simulation Games

Creation of money exercise

Activities

Advanced Placement Economics, Activities 34–39

Timeline for Unit Four

Day	Class Activity
1	Functions and types of money, Chapter 13
2	Demand for money and money market
3	Quiz on money, introduce creation of money
4	Creation of money/simulation game
5	Loanable funds market, Chapter 29
6	Quiz on money market and loanable funds
7	Organization of the Federal Reserve, Chapter 13
8	Tools of monetary policy, Chapter 15
9	Review activity
10	Unit Four Test

Unit Five: Inflation, Unemployment, and Stabilization Policies

Inflation, Unemployment, and Stabilization Policies [CR5]

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

CR5—The course provides instruction in inflation, unemployment, and stabilization policies.

Chapters included in Unit Five

McConnell, Chapters 12, 15, 16, and 18

List of Key Concepts and Graphs

Key concepts: fiscal policy and the aggregate demand/aggregate supply model, monetary policy and the aggregate demand/aggregate supply model, combinations of the policies and their effects, international considerations, government deficits and debts, long-run aggregate

supply, demand pull and cost push inflation, the inflation-unemployment relationship, expectations

Graphs

Aggregate demand/aggregate supply model
Phillips curve

List of Key Words and Terms

Key terms: Expansionary fiscal policy, contractionary fiscal policy, budget deficit, budget surplus, built-in stabilizer, discretionary policy, progressive tax system, regressive tax system, proportional tax system, crowding-out effect, net export effect, Federal Reserve Board of Governors, open-market operations, discount rate, reserve requirement, short run, long run, Phillips Curve, stagflation, aggregate supply shocks, long-run vertical supply curve, supply-side economics

Web Resources

<http://www.reffonomics.com>
Federal Reserve Banks Web sites

Activities

Advanced Placement Economics, Activities 43-46.

Day	Class Activity
1	Fiscal policy, Chapter 12
2	Consequences of fiscal policy
3	Monetary policy, Chapter 15
4	Consequences of monetary policy
5	Fiscal and monetary policies
6	Test, Chapters 12 and 15
7	Government budget deficits and debts, Chapter 18
8	Short-run and long-run supply curve, Chapter 16
9	Short run and long run Phillips Curve
10	Expectations
11	Review activity, Jeopardy
12	Unit Five Test: multiple choice
13	Unit Five Test: free response

Unit Six: Growth and Productivity

Growth and Productivity [CR6]

- Investment in human capital
- Investment in physical capital
- Research and development, and technological development
- Growth policy
- Productivity

CR6—The course provides instruction in economic growth and productivity.

Chapters Included in Unit Six

McConnell, Chapter 17

List of Key Concepts and Graphs

Key concepts: ingredients of economic growth, production possibilities analysis, growth in the AD/AS model, long- and short-run analysis, labor and productivity, technological advance

Graphs

- Production possibilities curve
- Aggregate demand/aggregate supply model

List of Key Words or Terms

Key terms: economic growth, labor productivity, labor-force participation rate, human capital, economies of scale, infrastructure, efficiency

Web Resources

www.reffonomics.com
www.bls.gov
www.ncee.net
www.econedlink.org

Video

Paul Solman videos for use with McConnell, *Economics*, 16th ed.

Activity

Advanced Placement Economics, Activity 47

Timeline for Unit Six

Day Class Activity

- 1 Ingredients for growth, Chapter 17
- 2 Production possibilities and AD/AS analysis
- 3 Growth from labor productivity and technological advance
- 4 Macroeconomic implications
- 5 Unit Six Test

Unit Seven: International Trade and Finance

International Trade and Finance [CR7]

- A. Balance of payments accounts
 1. Balance of trade

CR7—The course provides instruction in the open economy (international trade and finance).

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

Chapters Included in Unit Seven

McConnell, Chapters 6, 37, and 38

List of Key Concepts and Graphs

Concepts: the United States and world trade, absolute and comparative advantage, balance of payments, foreign exchange markets, implications of foreign trade, effects of domestic fiscal and monetary policies on capital flows and foreign exchange markets, use of resources, decision and policy making **[CR8]**

Graphs

- Production possibilities
- Foreign exchange market

List of Key Words or Terms

Key terms: tariffs, quotas, subsidies, absolute advantage, comparative advantage, terms of trade, world price, domestic price, current account, balance on goods and services, trade deficit, trade surplus, capital account, official reserves, flexible exchange rates, fixed exchange rates, depreciation, appreciation, General Agreement on Tariffs and Trade (GATT), World Trade Organization (WTO), North American Free Trade Agreement (NAFTA)

Web Resources

www.reffonomics.com
www.ncee.net
www.econedlink.org

Videos

Paul Solman videos to use with McConnell, *Economics*, 16th ed.

Activities

Advanced Placement Economics, Activities 49–55

CR8—The course promotes the understanding of aggregate economic activity; the utilization of resources within and across countries; and the critical evaluation of determinants of economic progress and economic decisions made by policymakers.

Timeline for Unit Seven

Day Class Activity

- 1 The United States and world trade/barriers to trade, Chapters 6 and 37
- 2 Absolute and comparative advantage
- 3 Balance of payments, Chapter 38
- 4 Balance of payments
- 5 Quiz: introduce exchange rates
- 6 Foreign exchange rates
- 7 Implications of foreign exchange rates and economic policies
- 8 Review activity
- 9 Unit Seven test: multiple choice
- 10 Unit Seven test: free response