

AP Macro Syllabus

Course Description

AP Macroeconomics is a survey of macroeconomics concepts and ideas. This course is designed to prepare students for the AP exam in May. The course will be divided into seven basic units:

Unit 1 – Basic Economics Concepts

Unit 2 – Measuring Economic Performance

Unit 3 – Aggregate Demand and Aggregate Supply: Price & Output Fluctuations

Unit 4 – Money, Monetary Policy and Economic Stability

Unit 5 – Monetary & Fiscal Policy Combinations: Stabilization Policy in the Real World

Unit 6 – International Economics

AP Macro is a 3 hour college credit course. The test will consist of multiple choice, two short responses, and a long response. The grading of the test will comprise of the MC counting for 2/3 of the final score. The remaining short answers will be 1/6 and the long response 1/6. The grading from the class exams will be similar.

Text & Reading

We will be using Economics by McConnell & Brue. This text has both Macro and Micro readings. I will give you pages to look at with each unit. This text is an excellent resource if you can't understand a concept, have missed class, or want to get ahead. With each assignment, I'll expect you to know the material from reading.

Class Format

You will receive an assignment almost every night. It is important that you complete these and come to class with any questions from the night before. This is a type of class that can be very easy to get behind in quickly. Please do not put off doing your assignments until the end. Each day will involve looking at the previous day's work, discussion of the new topic, lecture, and then a small time to work on the next day's assignment in order to ask questions if the you get confused.

Grading

The majority of the points will come from tests. Multiple choice will count for 2/3 of the test scores, and the responses the remaining 1/3. Homework will also be included in the points, but they will count for much less. However, understanding the homework is the key to being successful in this class. We will go on a strictly per point basis, with no weighting for tests, etc.

In Class

- You will want to bring your text everyday
- You will need to bring a calculator everyday (do not program the formulas)
- You will need note paper and an organization method for your work and notes
 - o Do not EVER throw away your old work. It can be used for later studying.
- It may be helpful to bring different color pencils for graphing

The following are broad concepts that we will be discussing, though the order might not always be exactly like this. International may come last.

I. Basic Economic Concepts

A. Scarcity : the nature of economic systems

- 1) Scarcity and choice
 - (a) rational behavior
 - (b) marginalism: benefits and cost
- 2) The foundation of economics
 - (a) unlimited wants
 - (b) scarcer resources
- 3) Economics: employment and efficiency
 - (a) full employment using available resources
 - (b) full production using resources efficiently

B. Opportunity costs and production possibilities

- 1) law of increasing opportunity costs
- 2) allocative efficiency

C. Specialization and comparative advantage

D. The functions of an economic system

- 1) The circular flow model
- 2) The market system at work
 - (a) determining what is to be produced
 - (b) organizing production
 - (c) distributing total output
 - (d) accommodating change
 - (e) competition and control
 - (f) the "invisible hand"

E. Demand, supply and price determination

- 1) Law of demand
 - (a) the demand curve
 - (b) individual and market demand
 - (c) determinants of demand
- 2) Law of supply
 - (a) the supply curve
 - (b) determinants of supply
- 3) Supply and demand: market equilibrium
 - (a) surpluses
 - (b) shortages
 - (c) equilibrium, rationing functions of prices
 - (d) changes in supply and demand
 - (e) the resource market

F. Pure capitalism and the market system

- 1) Capitalistic ideologies
 - (a) private property
 - (b) freedom of enterprises and choice
 - (c) role of self-interest
 - (d) competition
 - (e) limited government
- 2) The competitive market system

G. The market economy: private and public sectors

- 1) Households as income receivers
 - (a) functional distribution of income
 - (b) personal distribution of income
- (c) households as spenders

- (d) personal taxes
 - (e) personal savings
 - (f) personal consumption expenditures
- 2) The business population
- 3) Economic functions of government
- 4) Government finance
 - (a) government growth: purchases and transfers
 - (b) federal finance
- II. Measurement of Economic Performance
 - A. Gross national product, gross domestic product and national income concepts
 - 1) Expenditure growth
 - 2) Income approach
 - 3) Other social accounts
 - (a) net domestic product
 - (b) national income
 - (c) personal income
 - (d) disposable income
 - (e) circular flow revisited
 - 4) Computing GDP
 - (a) nominal and real GDP
 - (b) inflating and deflating GDP
 - B. Inflation and price indices
 - 1) Measuring price level
 - (a) implicit GDP price deflator
 - (b) consumer price index and producer price index
 - 2) Redistributive effect of inflation
 - (a) fixed-nominal-income receivers
 - (b) savers, debtors and creditors
 - (c) anticipated inflation
 - 3) Output effects of inflation
 - (a) stimulus of demand-pull inflation
 - (b) cost-push inflation and unemployment
 - (c) hyperinflation and breakdown
 - C. Unemployment
 - 1) The business cycle
 - (a) the historical record
 - (b) phases of the business cycle
 - (c) causation
 - 2) Types of unemployment
 - (a) defining "full employment"
 - (b) measuring unemployment
 - (c) economic costs of unemployment
 - (d) non-economic costs
 - (e) international comparisons
- III. National Income and Price Determination
 - A. Aggregate supply
 - 1) Classical analysis
 - 2) Keynesian analysis, aggregate expenditures model
 - 3) Rational expectations
 - (a) natural rate hypothesis
 - (b) adaptive expectations theory
 - (c) rational expectations theory
 - 4) Aggregate supply curve and determinants of aggregate supply
 - B. Aggregate demand
 - 1) Circular flow
 - 2) Changes in equilibrium GDP and the multiplier

- (a) deriving aggregate demand curve from the aggregate expenditures model
 - (b) determinants of aggregate demand
 - (1) international trade and equilibrium output
 - (2) personal consumption
 - (3) investment
 - (4) government
 - (c) aggregate demand shifts and the aggregate expenditures model
- 3) Fiscal policy
 - (a) discretionary fiscal policy
 - (b) financing debts and disposing of surpluses
 - (c) policy options: government spending or taxation?
 - (d) non-discretionary fiscal policy: built in stabilizers
 - (e) supply-side fiscal policy
- 4) Monetary policy
 - (a) goals of monetary policy
 - (b) tools of monetary policy
 - (1) open market operations
 - (2) the reserve ratio
 - (3) the discount rate
 - (c) easy money and tight money
 - (d) monetary policy, real GDP and price level
 - (e) monetary policy and aggregate supply
 - (f) strengths of monetary policy and the shortcomings and problems
- C. Money and Banking
 - 1) Definition of money and its creation
 - (a) functions of money
 - (b) what backs the money supply?
 - (1) money as debt
 - (2) value of money
 - (3) money and prices
 - (c) maintaining money's value
 - (d) the United States financial system
 - 2) How banks create money
 - (a) the banking system, multiple deposit expansion
 - (b) the banking system's lending potential, the money multiplier
- D. Fiscal-monetary mix
 - 1) Interaction of fiscal and monetary policies
 - 2) Monetarist-keynesian controversy
- E. Budget deficits and the public debt
 - 1) Deficits and debt definitions
 - (a) annually balanced budget
 - (b) cyclically balanced budget
 - (c) functional finance
 - 2) The public debt, facts and figures
 - (a) causes-quantitative aspects
 - (b) economic implications, shifting burdens
 - 3) Implications and issues
 - (a) income distribution
 - (b) incentives
 - (c) external debt
 - (d) curb on fiscal policy
 - (e) crowding out and stock of capital
 - 4) Recent federal deficits
 - (a) budget deficits and trade deficits
 - (b) higher interest rates
 - (c) dollar appreciation

F. Tradeoffs between inflation and unemployment

- 1) Long-run vs. short-run
- 2) Supply shocks
- 3) Role of expectations

IV. International Economics

A. Balance of payments, international finance and exchange rates

- 1) the economic basis for trade
 - (a) comparative advantage, graphical analysis
 - (b) terms of trade
 - (c) gains of trade
- 2) Supply and demand analysis of exports and imports
 - (a) supply and demand in the United States
 - (b) equilibrium world price, exports and imports
- 3) Trade barriers
 - (a) economic impact of tariffs
 - (b) economic impact of quotas
 - (c) the case for protection, a critical review
 - (1) military self-sufficiency argument
 - (2) increase domestic employment
 - (3) diversification for stability
 - (4) infant industry argument
 - (d) costs of protection

V. Economic Growth

A. Growth economics

- 1) growth as a goal
- 2) arithmetic of growth
- 3) ingredients of growth

B. United States growth

- 1) accounting for growth
- 2) input vs. productivity
- 3) quantity of labor
- 4) technological advance
- 5) quantity of capital
- 6) education and training
- 7) resource economics and scale economics

C. Aggregate demand, instability and growth

- (a) fixed-nominal-income receivers
- (b) savers, debtors and creditors
- (c) anticipated inflation
- 2) Output effects of inflation
 - (a) stimulus of demand-pull inflation
 - (b) cost-push inflation and unemployment
 - (c) hyperinflation and breakdown

D. Unemployment

- 1) The business cycle
 - (a) the historical record
 - (b) phases of the business cycle
 - (c) causation
- 2) Types of unemployment
 - (a) defining "full employment"
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 - (c) economic costs of unemployment
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