AP Macroeconomics

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AP Macroeconomics is a year-long, college level course. The purpose of this course is to provide you with a strong background in based economic and macroeconomic concepts. The expectation of this course is that you will be prepared to take the AP Macroeconomics exam in the Spring, and that you will have the opportunity to earn 3 college credits based on your exam score.

This class will provide you with a solid background on basic economic concepts, but will focus on macroeconomics, the study of the economy as a whole. The topics covered in this course will include: Basic Economic Concepts, Measurement of Economic Performance; National Income and Price Determination; The Financial Sector; Inflation, Unemployment, and Stabilization Policies; Economic Growth and Productivity; and Open Economy: International Trade and Finance. The skills covered in the course will include: the ability to evaluate what promotes economic progress and the decisions of economic policy makers and the ability to generate charts and graphs to describe economic concepts. These topics reflect the AP Macroeconomics course description, and will be paced to reflect each topics coverage on the AP Macroeconomics exam.

Each unit will cover key economic concepts by, introducing a concept as a term, providing multiple real-world examples of this term, reintroducing said term as an economic concept, providing further real world examples, providing graphic representation of the economic concept, and finally, when students have achieved a conceptual level of understanding, they will be asked to graphically represent key economic concepts.

Student Evaluation:

Student grades will be determined as an average of tests/quizzes, error analysis, and projects/essays. Tests and quizzes us the AP free response and multiple choice questions and scoring. Projects/essays and error analysis scored according to project specific rubric converted to a 100 point scale.

Tests - Weighted 1.0

Cumulative Unit Exam including concepts from earlier units with varying point totals based on number of multiple choice questions plus free-response points.

Quizzes - Weighted 1.0

Focuses on concepts, vocabulary and applications from 2 or 3 modules with varying point totals based on number of multiple choice questions plus free-response points.

Error Analysis/Corrections - Weighted 0.33

Review and correction of errors on quizzes. Explains error and reasons why correct answer is correct. Includes reference to textbook page or other resource.

Projects/Essays - Weighted 0.5
Applications of skills knowledge

Textbook:
Krugman, Paul, and Wells. ***Macroeconomics for AP*. AP ed*.** Worth.
Anderson, David ***Economics by Example***

Online Resources:
- Stock Market Game
- U.S. Bureau of Labor Statistics
- kahnacademy.org
- marketplace.org
- CIA Factbook
- Businessinsider.com

Additional Readings:
- Local (Bangor Daily News, Portland Press Herald, Kennebec Journal, and Morning Sentinel)
- National (Wall St. Journal, New York Times, Washington Post, and Los Angeles Times) daily newspaper articles
- Weekly and monthly magazine articles (The Economist, Harper's, and Atlantic Monthly)

Curriculum Map
Unit 1: Basic Economic Concepts (Scoring Component 1,9,10) 6 weeks

Key Terms	Key Concepts	Key Graphs
• Macroeconomics • Microeconomics • Opportunity Cost • Efficiency • Economic growth • Comparative Advantage • Absolute Advantage • Specialization • Ceteris Paribus • Model • Positive Economics • Normative Economics • Supply • Demand • Market Equilibrium	• Macroeconomics vs. Microeconomics • Positive Economics vs. Normative Economics • Economic decision making • Opportunity Cost • Scarcity, choice, and their relationship • Marginal Analysis • Absolute advantage vs. comparative advantage • Specialization • Trade • Supply and Demand Model	• The production possibilities curve • Supply and Demand

Resources	Activities	Assessments
● Krugman's Economics for AP (Modules 1-9) ● Economics by Example ● Kahn Academy ● Marketplace ● CIA Factbook ● Kennebec Journal Online	● Create Production Possibilities Curve that represent real world decisions ● Predict potential trade partnerships between different countries using data from CIA Factbook ● Evaluate China's comparative advantage over the US in the manufacture of electronic goods	End of unit assessment with multiple choice and free response questions focusing on Basic Economic Concepts Example Multiple Choice: *What is the opportunity cost of moving from point A to Point B on PPF 2?* 1. *1 Ton of steel* 2. *2 Tons of steel* 3. *2 Missiles* 4. *1 Missile* 5. *None of the above* IE Free Response *Draw a correctly labeled graph showing the demand for apples. On your graph, illustrate what happens to the demand for apples if a new report from the Surgeon General finds that an apple a day really does keep the doctor away.*

Unit Sequence:

- Scarcity, choice, and opportunity costs (3 days)
- Production possibilities curve (2 days)
- Comparative advantage, absolute advantage, specialization, and exchange (1 day)
- Supply and demand model (2 days)
- Supply, Demand, and Market equilibrium (1 day)

Unit 2: Measurement of Economic Performance (Scoring Component 2,3,8,9, and 10) 4 weeks

Key Terms	Key Concepts	Key Graphs
● National income and product accounts ● National accounts ● Factors of markets ● Product markets	● Circular Flow of Income ● Calculation of real and nominal GDP ● Calculation of the	● Circular flow of income diagram

• Gross Domestic Products • Intermediate Goods • Final Goods • Value of goods and services approach • Total income approach • Total spending approach • Consumer Spending • Investment Spending • Government Spending • Net exports • Inventories • Investment Spending • Final goods and services • Intermediate goods and services • GDP • Real GDP • Nominal GDP • Employed • Unemployed • Labor Force Participation Rate • Unemployment Rate • Frictional Unemployment • Structural Unemployment • Cyclical Unemployment • Inflation Rate • Disinflation • Nominal Interest Rate • Real Interest Rate • Price Index • Consumer Price Index • Producer Price Index • GDP Deflator	unemployment rate • Impacts of inflation • Calculation of the inflation rate • Real versus Nominal GDP • Natural rate of unemployment • Real versus Nominal Interest Rate •	
Resources	**Activities**	**Assessments**
• Krugman's Economics	• Complete end of	End of unit assessment with

for AP (Modules 10-15) ● Economics by Example ● Kahn Academy ● Marketplace	module “Tackle the Test” multiple choice ● Complete end of module “Tackle the Test” free response	multiple choice and free response questions focusing on Measurements of Economic Performance. Example Multiple Choice: *The best measure for comparing a country’s aggregate output over time is:* 1. *nominal GDP* 2. *nominal GDP per capita* 3. *real GDP per capita* 4. *average GDP per capita* 5. *real GDP* Example Free Response *The economy of Hermonia produces 3 goods: apples, juice machines, and caramel. The accompanying table shows the prices and output of these 3 goods for the years 2009, 2010, and 2011.* *(Table not shown)* *a. What is the nominal GDP for 2011?* *1. What is the real GDP for 2011 using 2009 as the base year?* *2. What is the percent change in apple production from 2009 to 2011?* *3. Assuming that a market basket for Hermonia only consists of apples, juice machines, and caramel, What is the rate of inflation from 2009 to 2011 (use 2009 as the base year for pricing)? Note: please round your answer up.* *4. Assume you are chair of the federal reserve. What could you do to reverse the high inflation rate in*

		Hermonia? Explain the effects of your policy decision on real GDP and the unemployment rate.

Unit Sequence:

- Circular flow of income (2 days)
- GDP (1 day)
- Components of GDP (1 day)
- Real versus nominal GDP (2 days)
- Macroeconomic Issues: business cycle, unemployment, inflation, and growth (4 days)
- Assessment (1 day)

Unit 3: National Income and Price Determination (Course Requirement 2,5,8,9, and 10) 3 weeks

Key Terms	Key Concepts	Key Graphs
• MPS (Marginal Propensity to Save) • MPC (Marginal Propensity to Consume) • Multiplier • Consumption function • Autonomous consumer spending • Aggregate Consumption Function • Planned investment spending • Inventories and inventory investment • Unplanned inventory investment • Aggregate demand curve • Wealth effect • Interest Rate effect • Fiscal policy • Monetary policy • Aggregate Supply curve • Nominal and sticky wages • Short-run aggregate	• The multiplier effect • Aggregate consumption function • Interest rates and their impact • Movement along and shifts in the aggregate demand curve • Movement along and shifts in the Long-run and short-run aggregate supply curve • AD-AS model • Economic policy and the AD-AS model • Economic policy and the multiplier effect	• Aggregate consumption function • Aggregate demand curve • Aggregate supply curve (long-run and short-run) • Output • AD-AS model • Supply shock • Demand shock • Aggregate price level • Short run versus long run effects of a negative demand shock • Short run versus long run effects of a positive demand shock • Recessionary gap • Inflationary gap

supply curve ● Long-run aggregate supply curve ● Potential output ● AD-AS model ● Short run macroeconomic equilibrium ● Short-run equilibrium aggregate price level ● Short-run equilibrium aggregate output ● Demand shock ● Supply shock ● Stagflation ● Long-run macroeconomic equilibrium ● Recessionary, inflationary, and output gap ● Self-correcting ● Stabilization policy ● Social Insurance ● Expansionary and contractionary fiscal policy ● Lump-sum taxes ● Automatic Stabilizers ● Discretionary fiscal policy		
Resources	**Activities**	**Assessments**
● Krugman's Economics for AP (Modules 16-21) ● Economics by Example ● Kahn Academy ● Marketplace	● Complete end of module "Tackle the Test" multiple choice ● Complete end of module "Tackle the Test" free response ● Create a monopoly like board game to illustrate key concepts around aggregate demand and supply	End of unit assessment with multiple choice and free response questions focusing on Basic Economic Concepts Essay addressing the potential impact of the "Fiscal Cliff" on aggregate demand Example Multiple Choice: *Which of the following is an example of contractionary fiscal policy.*

		I Raising interest rates *II A reduction in food stamps* *III An increase in taxes for the richest 2%* *a. I only* *b. II only* *c. III only* *d. I and III only* *e. II and III only* Example Free Response: *Use the consumption function provided to answer the following questions.* *c=$15,000 + .8 (Yd)* *A. What is the value of the marginal propensity to consume?* *B. If the individual household current disposable income is $40,000, individual household consumer spending will equal how much?* *C. Draw a correctly labeled graph showing this consumption function.* *D. What is the slope of this consumption function?* *E. On your graph from part c, show what would happen if expected future income decreased*

Unit Sequence

- Income and expenditure (4 days)
- Aggregate Demand: Introduction and Determinants (2 day)
- Aggregate Supply: Introduction and Determinants (2 day)
- Equilibrium in the Aggregate Demand-Aggregate Supply Model (2 days)
- Fiscal Policy and the multiplier (2 days)
- Assessment (1 day)

Unit 4: Financial Sector (Course Requirement 4,9, and 10) 3 weeks

Key Terms	Key Concepts	Key Graphs
• Budget Surplus • Budget Deficit • National Savings • Capital Inflow • Financial Asset • Physical Asset • Liability • Transaction Costs • Diversification • Financial Risk • Liquidity • Financial Assets • Banks • Money Supply • Medium of Exchange • Store of Value • Unit of Account • Monetary Aggregates • Bank Reserves • Deposit Insurance • Money Multiplier • Central Bank • Savings and Loans • Commercial and Investment Banks • Leveraged • Subprime Lending • Securitization • Federal Funds Market • Federal Funds Rate • Short-term Interest Rates • Money Demand Curve • Loanable Funds Market • Crowding Out	• Assets • Value • Origins of the federal reserve • Distinction between commercial and investment banks	• Money Demand Curve • Equilibrium in the Money Market • Demands for Loanable Funds • The Supply of Loanable Funds • Equilibrium in the Loanable Funds Market • The FIsher Effect • Short-run Determination of Interest Rate
Resources	**Activities**	**Assessments**
• Krugman's Economics for AP (Modules 22-29) • Economics by Example	• Complete end of module "Tackle the Test" multiple choice • Complete end of module "Tackle the	End of unit assessment with multiple choice and free response questions focusing on Basic Economic Concepts

● Kahn Academy ● Marketplace	Test" free response ● Create a monopoly like board game to illustrate key Macroeconomic Concepts.	Essay addressing the potential impact of Quantitative Easing Example Multiple Choice: *If the interest rate is zero, then the present value of a dollar received at the end of the year is* *a. more than $1* *b. equal to $1* *c. less than $1* *d. Zero* *e. infinite* IE Free Response *How will each of the following affect the money supply through the money multiplier process?* 1. *People hold more cash.* 2. *Banks hold more excess reserves.* 3. *The Fed increases the required reserve ratio.*

Unit Sequence

- Saving, Investment, and the Financial Sector (1 day)
- The definition and measurement of money (1 day)
- The time value of money (present and future value) (1 day)
- Banking and money creation (1 day)
- The Federal Reserve System (2 days)
- Quantitative theory of money (1 day)
- Real versus nominal interest rates (1 day)
- Assessment (1 day)

Unit 5: Inflation, Unemployment, and Stabilization Policies (Course Requirement 3,5,8,9, and 10) 3 weeks

Key Terms	Key Concepts	Key Graphs
● Cyclically Adjusted	● Public Debt	● Classical Model of the

Business Cycle ● Fiscal Years ● Public Debt ● Debt to GDP Ratio ● Implicit Liabilities ● Target Federal Funds Rate ● Expansionary and Contractionary Monetary Policy ● Taylor Rule for Monetary Policy ● Inflation Targeting ● Monetary Neutrality ● Classical Model of the Price Level ● Inflation Tax ● Demand-Pull Inflation and Cost-Push Inflation ● Short-Run and Long Run Phillips Curve ● NAIRU ● Liquidity Trap ● Debt Deflation ● Classical versus Keynesian Economics ● Monetarism ● Discretionary Monetary Policy ● Rational Expectations	● Short-Run and Long-Run effects of the Money Supply ● Hyperinflation, Inflation, and Disinflation ● The Output Gap and Unemployment Rates ● Natural Rate Hypothesis ● Keynesian vs Classical Economics ● Expansionary Monetary Policy	Price Level ● Fisher Effect ● Classical versus Keynesian Economics
Resources	**Activities**	**Assessments**
● Krugman's Economics for AP (Modules 30-36) ● Economics by Example ● Kahn Academy ● Marketplace	● Complete end of module "Tackle the Test" multiple choice ● Complete end of module "Tackle the Test" free response ● Create a monopoly like board game to illustrate key Macroeconomic Concepts	End of unit assessment with multiple choice and free response questions focusing on Basic Economic Concepts Essay assessing the role of Classical and Keynesian Economics in Monetary Policy Example Multiple Choice: *Which of the following is a*

		reason to be concerned about persistent budge deficits? *a. crowding out* *b. government default* *c. the opportunity cost of future interest payments* *d. higher interest rates leading to decreased long-run growth* *e. all of the above* Example Free Response *a. What can the Fed do with each of its tools to implement expansionary monetary policy during a recession?* *b. Use a correctly labeled graph of the money market to explain how the Fed's use of expansionary monetary policy affects interest rates in the short run.* *c. Explain how the interest rate changes you graphed in part b affect aggregate supply and demand in the short run.* *d. Use a correctly labeled aggregate demand and supply graph to illustrate how expansionary monetary policy affects aggregate output in the short run.*

Unit Sequence

- Long-run implications of Fiscal Policy: Deficits and the Public Debt (3 days)
- Monetary policy and interest rates (1 day)
- Money, output, and prices in the long run (3 days)
- Types of inflation, disinflation, and deflation (1 day)
- Inflation and Unemployment: The Phillips Curve (2 days)
- Role of expectations (1 day)

Unit 6: Economic Growth and Productivity (Course Requirement 6,9, and 10) 2 weeks

Key Terms	Key Concepts	Key Graphs
● Rule 70	● Productivity	● Long-Run Economic

• Human Capital and Physical Capital • Aggregate Production Function • Diminishing Returns to Physical Capital • Total Factor Productivity • Growth Accounting • Convergence Hypothesis • Research and Development • Infrastructure • Depreciation	• Long-Run Economic Growth • Sustainability	Growth and the Aggregate-Demand Supply Model • Long-Run Growth and the LRAS Curve
Resources	**Activities**	**Assessments**
• Krugman's Economics for AP (Modules 37-40) • Economics by Example • Kahn Academy • Marketplace	• Complete end of module "Tackle the Test" multiple choice • Complete end of module "Tackle the Test" free response • Continue a monopoly like board game to illustrate key Macroeconomic Concepts	End of unit assessment with multiple choice and free response questions focusing on Basic Economic Concepts Essay on International Economic Growth Example Multiple Choice: *The "convergence hypothesis"* *a. states the differences in real GDP per capita among countries widen over time.* *b. states that low levels of real GDP per capita are associated with higher growth rates.* *c. states that low levels of real GDP per capita are associated with lower growth rates.* *d. contradicts the "Rule of 70"* *e. has been proven by evidence from around the world.* Example Free Response

		What roles do physical capital, human capital, technology, and natural resources play in influencing long-run economic growth of aggregate output per capita?.

Unit Sequence

- Long-run economic growth (2 days)
- Productivity and growth (3 days)
- Growth Policy: Why Economic Growth Rates Differ (1 day)
- Economic Growth in Macroeconomics (2 days)

Unit 7: The Open Economy: International Trade and Finance (Course Requirement 7,9, and 10) 2 Weeks.

Key Terms	Key Concepts	Key Graphs
• Balance of Payments Accounts: Current Account, on Goods and Services, and Financial Account • Merchandise Trade Balance • Foreign Exchange Market • Exchange Rates • Appreciation • Depreciation • Equilibrium Exchange Rate • Real Exchange Rates • Purchasing Power Parity • Fixed Exchange Rate • Floating Exchange Rate • Foreign Exchange Controls • Devaluation • Revaluation	• Balance of Payments Accounts • Foreign Exchange Markets • Monetary Policy and Exchange Rates • International Business Cycle	• Loanable Funds Markets in Two Countries • International Capital Flows • Foreign Exchange Markets • Exchange Market Intervention
Resources	**Activities**	**Assessments**
• Krugman's Economics for AP (Modules	• Complete end of module "Tackle the	End of unit assessment with multiple choice and free

41-45) ● Economics by Example ● Kahn Academy ● Marketplace	Test" multiple choice ● Complete end of module "Tackle the Test" free response ● Complete a monopoly like board game to illustrate key Macroeconomic Concepts	response questions focusing on Basic Economic Concepts Essay on the history of the Euro. Example Multiple Choice: *The trade balance includes which of the following?* *I imports and exports of goods* *II imports and exports of services* *III new capital flows* *a. I only* *b. II only* *c. III only* *d. I and II only* *e. I, II, and III* Example Free Response *List three tools used to fix exchange rates and explain the major costs resulting from their use.*

Unit Sequence

- Capital Flows and the Balance of Payments (2 days)
- The Foreign Exchange Market (3 days)
- Exchange Rate Policy (1 day)
- Exchange Rates and Macroeconomic Policy (2 days)