CURRICULUM COURSE OUTLINE

Course Name(s): **Macroeconomics**

Grade(s): **11-12**

Department: **Social Studies**

Course Length: **1 Semester**

Pre-requisite: **Microeconomics**

Textbook/Key Resource:
- McConnell and Brue. Macroeconomics

Course Description: This is the continuation of the Microeconomics course. The units are GDP, national debt and budgeting, international trade and the impact of globalization, as well as monetary and fiscal policies of government. This course can be taken as high school and/or college credit.

Standards:
- STANDARD 1: SCARCITY. Productive resources are limited. Therefore, people cannot have all the goods and services they want; as a result, they must choose some things and give up others.
- STANDARD 2: DECISION MAKING. Effective decision making requires comparing the additional costs of alternatives with the additional benefits. Many choices involve doing a little more or a little less of something: few choices are "all or nothing" decisions.
- STANDARD 3: ALLOCATION. Different methods can be used to allocate goods and services. People acting individually or collectively must choose which methods to use to allocate different kinds of goods and services.
- STANDARD 4: INCENTIVES . People usually respond predictably to positive and negative incentives.
- STANDARD 5: TRADE. Voluntary exchange occurs only when all participating parties expect to gain. This is true for trade among individuals or organizations within a nation, and among individuals or organizations in different nations.
- STANDARD 6: SPECIALIZATION. When individuals, regions, and nations specialize in what they can produce at the lowest cost and then trade with others, both production and consumption increase.
- STANDARD 7: MARKETS AND PRICES . A market exists when buyers and sellers interact. This interaction determines market prices and thereby allocates scarce goods and services.
- STANDARD 8: ROLE OF PRICES . Prices send signals and provide incentives to buyers and sellers. When supply or demand changes, market prices adjust, affecting incentives.

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- STANDARD 9: COMPETITION AND MARKET STRUCTURE. Competition among sellers usually lowers costs and prices, and encourages producers to produce what consumers are willing and able to buy. Competition among buyers increases prices and allocates goods and services to those people who are willing and able to pay the most for them.
- STANDARD 10: INSTITUTIONS. Institutions evolve and are created to help individuals and groups accomplish their goals. Banks, labor unions, markets, corporations, legal systems, and not-for-profit organizations are examples of important institutions. A different kind of institution, clearly defined and enforced property rights, is essential to a market economy.
- STANDARD 11: MONEY AND INFLATION.. Money makes it easier to trade, borrow, save, invest, and compare the value of goods and services. The amount of money in the economy affects the overall price level. Inflation is an increase in the overall price level that reduces the value of money.
- STANDARD 12: INTEREST RATES . Interest rates, adjusted for inflation, rise and fall to balance the amount saved with the amount borrowed, which affects the allocation of scarce resources between present and future uses.
- STANDARD 13: INCOME . Income for most people is determined by the market value of the productive resources they sell. What workers earn primarily depends on the market value of what they produce.
- STANDARD 14: ENTREPRENEURSHIP. Entrepreneurs take on the calculated risk of starting new businesses, either by embarking on new ventures similar to existing ones or by introducing new innovations. Entrepreneurial innovation is an important source of economic growth.
- STANDARD 15: ECONOMIC GROWTH. Investment in factories, machinery, new technology, and in the health, education, and training of people stimulates economic growth and can raise future standards of living.
- STANDARD 16: ROLE OF GOVERNMENT AND MARKET FAILURE. There is an economic role for government in a market economy whenever the benefits of a government policy outweigh its costs. Governments often provide for national defense, address environmental concerns, define and protect property rights, and attempt to make markets more competitive. Most government policies also have direct or indirect effects on peoples' incomes.
- STANDARD 17: GOVERNMENT FAILURE. Costs of government policies sometimes exceed benefits. This may occur because of incentives facing voters, government officials, and government employees, because of actions by special interest groups that can impose costs on the general public, or because social goals other than economic efficiency are being pursued.
- STANDARD 18: ECONOMIC FLUCTUATIONS. Fluctuations in a nation's overall levels of income, employment, and prices are determined by the interaction of spending and production decisions made by all households, firms, government agencies, and others in the economy. Recessions occur when overall levels of income and employment decline.
- STANDARD 19: UNEMPLOYMENT AND INFLATION. Unemployment imposes costs on individuals and the overall economy. Inflation, both expected and unexpected, also imposes costs on individuals and the overall economy. Unemployment increases during recessions and decreases during recoveries.
- STANDARD 20: FISCAL AND MONETARY POLICY. Federal government budgetary policy and the Federal Reserve System's monetary policy influence the overall levels of employment, output, and prices.

Unit 1: Review of Micro Concepts	**Unit Length:** 1-2 weeks

Students will know:	**Students will be able to:**
1. Define economics. 2. Describe the "economic way of thinking," including definitions of purposeful behavior, utility, marginal costs, marginal benefits and how these concepts may be used in decision-making. 3. Explain how economists use the scientific method to formulate economic principles. 4. Explain the importance of ceteris paribus in formulating economic principles. 5. Explain the steps used by policy makers. 6. Differentiate between micro- and macroeconomics. 7. Differentiate between positive and normative economics. 8. Explain the economizing problem from the individual's perspective 9. Construct and explain a budget line. 10. Describe the economizing problem facing society. 11. Identify types of economic resources and types of income associated with various factors. 12. Construct a production possibilities curve when given appropriate data. 13. Illustrate economic growth, unemployment and underemployment of resources, and increasing costs using a production possibilities curve. 14. Give some real-world applications of the production possibilities concept. 15. Summarize the general relationship between investment and economic growth. 16. Explain and give examples of the fallacy of composition, post hoc fallacy, and other logical pitfalls. 17. Define economics. **(Continued on next page)**	1. Demonstrates the use of positive and normative analysis, the scientific method, and rational self-interest as parts of the economic perspective. 2. Analyze the process by which national wealth is measured. 3. Identify the key concepts in comparative advantage, absolute advantage and opportunity costs. 4. Describe the benefits of trade. 5. Analyze the implications of economic problems. 6. Compare how the economy in the short run differs from the economy in the long run. 7. Critique various economic theories of capital, growth and development. 8. Debate solutions for contemporary economic issues. 9. Define unit terminology. 10. Determine a cause and effect relation is essential. 11. Draw conclusions from data concerning market forces and price. 12. Evaluate the validity of information, testing its credibility. 13. Examine how firms maximize profits. 14. Explore the functions performed by an economic system and the ways the tools of supply and demand are used to analyze the workings of a free-market economy. 15. Express concepts graphically to demonstrate understanding. 16. Give examples of types of economic information available as a result of technological innovations. 17. Graphs concepts. 18. Manipulate a PPF to illustrate scarcity, choices and opportunity costs. **(Continued on next page)**

Unit 1: Review of Micro Concepts (Continued)

Students will know:	Students will be able to:
18. Describe the "economic way of thinking," including definitions of purposeful behavior, utility, marginal costs, marginal benefits and how these concepts may be used in decision-making. 19. Explain how economists use the scientific method to formulate economic principles. 20. Explain the importance of ceteris paribus in formulating economic principles. 21. Explain the steps used by policy makers. 22. Differentiate between micro- and macroeconomics. 23. Differentiate between positive and normative economics. 24. Explain the economizing problem from the individual's perspective 25. Construct and explain a budget line. 26. Describe the economizing problem facing society. 27. Identify types of economic resources and types of income associated with various factors. 28. Construct a production possibilities curve when given appropriate data. 29. Illustrate economic growth, unemployment and underemployment of resources, and increasing costs using a production possibilities curve. 30. Give some real-world applications of the production possibilities concept. 31. Summarize the general relationship between investment and economic growth. 32. Explain and give examples of the fallacy of composition, post hoc fallacy, and other logical pitfalls. 33. Explain and illustrate a direct relationship between two variables, and define and identify a positive sloping curve. 34. Explain and illustrate an inverse relationship between two variables, and define and identify a negative slope. 35. Identify independent and dependent variables. 36. Highlight the main features of a market **(Continued on next page)**	19. Predict the results of price floors, ceilings and government quotas, tariffs and purchasing. 20. Use deductive logic to solve economic mysteries.

Students will know:	
37. economy and a command economy. 38. List and explain the important characteristics of the American market system. 39. State the Five Fundamental Questions faced by any economic system. 40. Describe how the market system answers each of these five fundamental questions. 41. Explain how the consumer influences the "What goods and services will be produced?" question. 42. Explain how a market system achieves economic efficiency. 43. Explain how markets answer the "Who will get the output?" question. 44. Describe how prices drive the movement of resources in a market system. 45. Describe how the market system promotes technological improvements and capital accumulation. 46. Explain the role of self-interest and "invisible hand" in promoting economic efficiency. 47. Explain why the command systems of the Soviet Union, Eastern Europe, and China failed. 48. Identify the decision makers and the markets in a market system using the circular flow diagram. 49. Identify the two roles each that households and businesses play using the circular flow diagram. 50. Differentiate between product and resource markets. 51. Explain who and what demand and supply represent. 52. Differentiate between demand and quantity demanded; and supply and quantity supplied. 53. Graph demand and supply curves when given demand and supply schedules. 54. State the Law of Demand and the Law of Supply, and explain why price and quantity demanded are inversely related, and why price and quantity supplied are directly related. **(Continued on next page)**	

Unit 1: Review of Micro Concepts (Continued)

Students will know:	
55. List the major determinants of demand, and explain how a change in each will affect the demand curve. 56. List the major determinants of supply, and explain how a change in each will affect the supply curve. 57. Explain the concept of equilibrium price and quantity. 58. Illustrate graphically equilibrium price and quantity. 59. Explain the rationing function of prices. 60. Define productive and allocative efficiency, and explain how competitive markets achieve them. 61. Explain and graph the effects of changes in demand and supply on equilibrium price and quantity, including simultaneous changes in demand and supply. 62. Define price ceilings and price floors, and provide examples. 63. Graph and explain the consequences of government-set prices. 64. Define, explain, and give relative importance of the five shares in the functional distribution of income and explain what is included in the fifth share – proprietors' income. 65. Define and explain the personal distribution of income, and state the relative shares going to the top 20 percent compared to the bottom 20 percent (or one fifth). 66. State the three major categories of household spending or income disposition and relative shares of each. 67. Explain the terms durable goods, nondurable goods, and services. 68. Explain the difference between a plant, a firm, and an industry. 69. Describe the three legal forms of business. 70. Explain the advantages of the corporate form of business. 71. Describe the principal-agent problem. 72. Explain how the government promotes competition. **(Continued on next page)**	

Unit 1: Review of Micro Concepts (Continued)

Students will know:	
73. Explain how government alters the income distribution. 74. Define and explain the effects of positive and negative externalities. 75. Describe how the government can correct the effects of positive and negative externalities. 76. Explain what is meant by a "public good" and why government must provide these goods and services.	

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- STANDARD 15: ECONOMIC GROWTH. Investment in factories, machinery, new technology, and in the health, education, and training of people stimulates economic growth and can raise future standards of living.

Unit 2: Macro Elements	**Unit Length:** 1-3 weeks

Students will know:	**Students will be able to:**
1. State the purposes of national income accounting. 2. List the components of GDP in the output (expenditures) approach and in the income approach. 3. Compute GDP using either the expenditure or income approach when given national income data. 4. Differentiate between gross and net investment. 5. Explain why changes in inventories are investments. 6. Discuss the relationship between net investment and economic growth. 7. Compute NDP, NI, PI, and DI when given relevant data. 8. Describe the system represented by the circular flow in this chapter when given a copy of the diagram. 9. Calculate a GDP price index using simple hypothetical data. 10. Find real GDP by adjusting nominal GDP with use of a price index. 11. List seven shortcomings of GDP as an index of social welfare. 12. Explain what is meant by the underground economy and state its approximate size in the U.S. and how that compares to other nations. 13. Give an estimate of actual 2005 (or later) U.S. GDP in trillions of dollars and be able to rank U.S. relative to a few other countries. 14. Define two measures of economic growth. 15. Explain why growth is a desirable goal. 16. Identify two main sources of growth. 17. Explain and apply the "rule of 70." 18. Give average long-term growth rates for U.S. and qualifications of raw data. 19. Summarize Global Perspective 7.1. **(Continued on next page)**	1. Analyze the process by which national wealth is measured. 2. Calculate nominal and real GDP. 3. Explain the function of a price index. 4. Use a circular flow chart to explain the income flow generated through production and consumption. 5. Analyze data for its relevance to solving problems. 6. Analyze data/information from tables and graphs. 7. Analyze the effectiveness of government policies such as subsidies, taxes, quantity controls, and public provision of goods and services. 8. Analyze the fundamental economic problem. 9. Analyze the impact business cycles on US history. 10. Analyze the impact on aggregate demand of monetary and/or fiscal policies. 11. Analyze the implications of economic problems. 12. Assess the causes of the business cycle. 13. Assess the short run trade-off between inflation and unemployment. 14. Assess who gains and loses during inflationary periods. 15. Communicate clearly and effectively utilizing economic terms. 16. Define unit terminology. 17. Analyze the costs of unemployed resources. 18. Analyze problems resulting from inflation. 19. Determine how CPI measures the cost of living. 20. Determine what would shift both aggregate supply and aggregate demand curves. **(Continued on next page)**

Unit 2: Macro Elements (Continued)

Students will know:	**Students will be able to:**
20. State the purposes of national income accounting. 21. List the components of GDP in the output (expenditures) approach and in the income approach. 22. Compute GDP using either the expenditure or income approach when given national income data. 23. Differentiate between gross and net investment. 24. Explain why changes in inventories are investments. 25. Discuss the relationship between net investment and economic growth. 26. Compute NDP, NI, PI, and DI when given relevant data. 27. Describe the system represented by the circular flow in this chapter when given a copy of the diagram. 28. Calculate a GDP price index using simple hypothetical data. 29. Find real GDP by adjusting nominal GDP with use of a price index. 30. List seven shortcomings of GDP as an index of social welfare. 31. Explain what is meant by the underground economy and state its approximate size in the U.S. and how that compares to other nations. 32. Give an estimate of actual 2005 (or later) U.S. GDP in trillions of dollars and be able to rank U.S. relative to a few other countries. 33. Define two measures of economic growth. 34. Explain why growth is a desirable goal. 35. Identify two main sources of growth. 36. Explain and apply the “rule of 70.” 37. Give average long-term growth rates for U.S. and qualifications of raw data. 38. Summarize Global Perspective 7.1. 39. Explain what is meant by a business cycle. 40. Describe the four phases of an idealized business cycle. 41. Identify two types of non-cyclical fluctuations in business activity. **(Continued on next page)**	21. Analyze the process by which national wealth is measured. 22. Calculate nominal and real GDP. 23. Explain the function of a price index. 24. Use a circular flow chart to explain the income flow generated through production and consumption. 25. Analyze data for its relevance to solving problems. 26. Analyze data/information from tables and graphs. 27. Analyze the effectiveness of government policies such as subsidies, taxes, quantity controls, and public provision of goods and services. 28. Analyze the fundamental economic problem. 29. Analyze the impact business cycles on US history. 30. Analyze the impact on aggregate demand of monetary and/or fiscal policies. 31. Analyze the implications of economic problems. 32. Assess the causes of the business cycle. 33. Assess the short run trade-off between inflation and unemployment. 34. Assess who gains and loses during inflationary periods. 35. Communicate clearly and effectively utilizing economic terms. 36. Define unit terminology. 37. Analyze the costs of unemployed resources. 38. Analyze problems resulting from inflation. 39. Determine how CPI measures the cost of living. 40. Determine what would shift both aggregate supply and aggregate demand curves. 41. Determining cause and effect relations is essential. 42. Examine how GDP measures the strength of the economy. 43. Analyze factors which affect aggregate demand and shifts in aggregate demand. **(Continued on next page)**

Unit 2: Macro Elements (Continued)

Students will know:	Students will be able to:
42. Describe how innovation and/or random events might cause business cycles. 43. Explain why business cycles affect capital and consumer durable goods industries more than non-durable goods and service industries. 44. Describe how the Bureau of Labor Statistics (BLS) measures unemployment. 45. Evaluate strengths and limitations of BLS unemployment statistics. 46. State causes of frictional, cyclical, and structural unemployment. 47. Identify the full employment or natural rate of unemployment. 48. Identify the economic costs of unemployment and the groups that bear unusually heavy unemployment burdens. 49. Define inflation and list two types of inflation. 50. List three groups who are hurt and two groups who may benefit from unanticipated inflation. 51. Present three possible effects of inflation on output and employment. 52. Compare U.S. inflation and unemployment rates to one or more industrialized nations. 53. Identify six main ingredients in economic growth. 54. Show economic growth using production possibilities analysis and aggregate demand aggregate supply analysis. 55. Describe the growth record of the U.S. economy since 1950, including two measures of its long term growth rates. 56. Identify six major factors that contributed to U.S. economic growth according to empirical studies. 57. List three primary reasons for productivity acceleration in the United States since 1995. 58. List five reasons for increasing returns during the period of productivity acceleration. **(Continued on next page)**	44. Analyze factors which affect aggregate supply and shifts in the aggregate supply curve. 45. Explain the differences between short run and long run aggregate supply curves. 46. Explain the relationship between consumption and saving. 47. Explain the determinants of consumption, investment and government spending. 48. Examine the aggregate supply and aggregate demand model to explain the determination of equilibrium national output and the general price level, as well as to analyze and evaluate the effects of public policy in both the short and long run. 49. Examine the business cycle in conjunction with the key measures of economic performance: gross domestic product, unemployment, and inflation. 50. Explain the effects on costs due to changes in consumer preferences. 51. Express concepts graphically to demonstrate understanding. 52. Graphs concepts. 53. Identify the cause of business cycles. 54. Understand the aggregate supply and aggregate demand model to explain the determination of equilibrium national output and the general price level, as well as to analyze and evaluate the effects of public policy in both the short and long run. 55. Use deductive logic to solve economic mysteries.

Students will know: 59. Identify the macroeconomic implications of stronger productivity growth and more intense global competition. 60. Evaluate the potential for the productivity acceleration to be a permanent phenomenon. 61. Identify and explain the arguments for and against economic growth. 62. Describe the income-consumption and income-saving relationships. 63. Recognize, construct, and explain the consumption and saving schedules. 64. Identify the determinants of the location of the consumption and saving schedules. 65. Calculate and differentiate between the average and marginal propensities to consume (and save). 66. Describe the relationship between the interest rate, expected rate of return, and investment. 67. Identify the determinants of investment and construct an investment demand curve. 68. Identify the factors that may cause a shift in the investment-demand curve. 69. Describe the reasons for the instability in investment spending. 70. Provide an intuitive explanation of the multiplier effect. 71. Calculate the multiplier and changes in real GDP given information about changes in spending and the marginal propensities. 72. Discuss why the actual multiplier may differ from the theoretical examples.	

Standard(s):

- STANDARD 10: INSTITUTIONS. Institutions evolve and are created to help individuals and groups accomplish their goals. Banks, labor unions, markets, corporations, legal systems, and not-for-profit organizations are examples of important institutions. A different kind of institution, clearly defined and enforced property rights, is essential to a market economy.
- STANDARD 15: ECONOMIC GROWTH. Investment in factories, machinery, new technology, and in the health, education, and training of people stimulates economic growth and can raise future standards of living.

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Unit 2: Macro Elements (Continued)

Standard(s):

- STANDARD 18: ECONOMIC FLUCTUATIONS. Fluctuations in a nation's overall levels of income, employment, and prices are determined by the interaction of spending and production decisions made by all households, firms, government agencies, and others in the economy. Recessions occur when overall levels of income and employment decline.
- STANDARD 19: UNEMPLOYMENT AND INFLATION. Unemployment imposes costs on individuals and the overall economy. Inflation, both expected and unexpected, also imposes costs on individuals and the overall economy. Unemployment increases during recessions and decreases during recoveries.

Unit 3: Macro Theories	**Unit Length:** 1 month
Students will know: 1. Identify the simplifying assumptions of the Aggregate Expenditures (AE) model. 2. Explain the relationship between the investment demand curve and the investment schedule. 3. Use the consumption and investment schedules to determine the equilibrium level of GDP. 4. Explain verbally and graphically the equilibrium level of GDP. 5. Explain why above-equilibrium or below-equilibrium GDP levels will not persist. 6. Explain the basics of the classical view that the economy would generally provide full employment levels of output. 7. Trace the changes in GDP that will occur when there is a discrepancy between saving and planned investment. 8. Use the multiplier to find changes in GDP resulting from changes in spending. 9. Define the net export schedule. 10. Explain the impact of positive (or negative) net exports on aggregate expenditures and the equilibrium level of real GDP. 11. Explain the effect of increases (or decreases) in exports on real GDP. 12. Explain the effect of increases (or decreases) in imports on real GDP. **(Continued on next page)**	**Students will be able to:** 1. Analyze how government policy interferes in the market functions. 2. Analyze the fundamental economic problem. 3. Analyze the impact business cycles on US history. 4. Analyze the implications of economic problems. 5. Analyze the importance of various economic philosophers, such as John Maynard Keynes, Karl Marx, Adam Smith, Ludwig von Mises and their impact on the US free enterprise system. 6. Assess the causes of the business cycle. 7. Communicate clearly and effectively utilizing economic terms. 8. Compare political statements as either positive or normative. 9. Critique various economic theories of capital, growth and development. 10. Debate solutions for contemporary economic issues. 11. Defines unit terminology. 12. Determining cause and effect relations is essential. 13. Distinguish the main schools of economic thought in history. **(Continued on next page)**

Unit 3: Macro Theories (Continued)

Students will know:	**Students will be able to:**
13. Describe how government purchases affect equilibrium GDP. 14. Describe how personal taxes affect equilibrium GDP. 15. Explain why an equal amount of government purchases and taxes will have a differential impact on GDP. 16. Identify a recessionary expenditure gap and explain how it relates to the U.S. recession of 2001. 17. Explain how the U.S. managed full-employment output in 2005 while experiencing large negative net exports. 18. Identify an inflationary gap and explain how it relates to the inflationary experience of the late 1980s. 19. List five limitations of the aggregate expenditures model. 20. Explain how the aggregate expenditures model emerged as a critique of Classical economics and in response to the Great Depression. 21. Define aggregate demand and aggregate supply. 22. Give three reasons why the aggregate demand curve slopes downward. 23. State the determinants of the aggregate demand curve's location, and explain how the curve will shift when one of these determinants changes. 24. Distinguish between an initial shift in aggregate demand and the full shift after multiplier effects have been incorporated. 25. Explain the shape of the long-run aggregate supply curve. 26. Explain the shape of the short-run aggregate supply curve. 27. Indicate the determinants of the aggregate supply curve's location, and explain how the curve will shift when one of those determinants changes. **(Continued on next page)**	14. Draw conclusions from data concerning market forces and price. 15. Effective communication relies on the purposeful use of information in a format appropriate to the task and the audience. 16. Evaluate the validity of information, testing its credibility. 17. Formulating hypotheses based on a variety of economic laws enhances problem solving. 18. Identify the cause of business cycles. 19. Provide solutions to economic problems. 20. Relate economic theory to political actions. 21. Research current economic issues. 22. Support a position with relevant and real-time data. 23. Understand that economic decision-making occurs through rational thinking. 24. Understanding based on theories and data is critical for problem solving. 25. Use deductive logic to solve economic mysteries.

Students will know: 28. Find an economy's equilibrium price level and real domestic output using AD-AS. 29. Explain how the multiplier effect is weakened when there is demand-pull inflation. 30. Demonstrate and explain how a decrease in aggregate demand can cause a recession without a drop in the price level. 31. Demonstrate and explain the effects of shifts in aggregates supply on the equilibrium price level and real domestic output of an economy. 32. Explain how an economy can maintain full employment and stable prices under conditions of rising aggregate demand. 33. Explain how the impact of oil price fluctuations has changed for the U.S. economy over the past couple decades. 34. Explain the difference between the short-run and long-run aggregate supply curves and their significance for economic policy. 35. Distinguish between demand-pull and cost-push inflation using the extended aggregate demand-aggregate supply model. 36. Explain and construct a traditional short-run Phillips Curve using the aggregate demand-aggregate supply model. 37. Differentiate between the short-run and long-run Phillips Curves. 38. Identify the supply side shocks to the U.S. economy in the 1970s and 1980s. 39. Use an aggregate demand aggregate supply graph to show how supply side shocks led to stagflation in the 1970s and 1980s. 40. Explain why demand management policies cannot eliminate stagflation. 41. Explain two possible effects of taxation on aggregate supply. 42. Explain the Laffer Curve concept and list three criticisms of this theory. 43. Define and explain the role of the CEA. 44. Distinguish between discretionary and nondiscretionary fiscal policy. **(Continued on next page)**	

Students will know:	
45. Differentiate between expansionary and contractionary fiscal policy. 46. Recognize the conditions for recommending an expansionary or contractionary fiscal policy. 47. Explain expansionary fiscal policy and its effects on the economy and Federal budget. 48. Explain contractionary fiscal policy and its effects on the economy and Federal budget. 49. Give two examples of how built in stabilizers help eliminate recession or inflation. 50. Explain the differential impacts of progressive, proportional, and regressive taxes in terms of stabilization policy. 51. Explain the significance of the “standardized budget” concept. 52. Describe recent U.S. fiscal policy actions and the motivation behind them. 53. List three timing problems encountered with fiscal policy. 54. State political problems that limit effective fiscal policy. 55. Identify actions by households, and by state and local governments that can frustrate fiscal policy. 56. Differentiate between deficit and debt. 57. State the relative size of the debt as a percentage of GDP and describe how that has changed in recent years. 58. Describe the annual interest charges on the debt, who holds the debt, and the impact of inflation on the debt. 59. Explain why the debt can also be considered public credit. 60. Identify and discuss two widely held myths about the public debt. 61. Explain the real or potential effect of the debt on income distribution, economic incentives, fiscal policy, and private investment 62. Explain and recognize graphically how crowding out is a concern caused by a large public debt. **(Continued on next page)**	

Unit 3: Macro Theories (Continued)

Students will know:	
63. Compare the classical and Keynesian views of the stability of the aggregate demand curve. 64. Explain the purpose and structure of the Leading Economic Indicators (Last Word). 65. Contrast the classical and Keynesian views of the aggregate supply curve. 66. Give two reasons for macroeconomic instability according to mainstream economists. 67. Explain the equation of exchange. 68. Identify the single most important cause of macroeconomic instability according to the monetarists. 69. Explain the main reasons for macro-economic instability according to the real-business-cycle theory. 70. Construct an example to demonstrate a coordination failure. 71. Outline the elements of the Austrian Business Cycle Theory. 72. Explain the view of self-correction held by mainstream economists. 73. List three reasons why a higher wage could result in greater efficiency. 74. Explain how insider-outsider relationships contribute to downward wage inflexibility. 75. Describe the monetary rule and explain why monetarists prefer it to discretionary monetary policy. 76. Compare the views of mainstream economists with monetarists and RET economists regarding the use of discretionary fiscal policy and the need for an annually balanced budget. Compare and contrast Taylor Rule with Monetary Rule advocated by monetarists.	

Standard(s):

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Unit 3: Macro Theories (Continued)

Standard(s):

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- STANDARD 13: INCOME. Income for most people is determined by the market value of the productive resources they sell. What workers earn primarily depends on the market value of what they produce.
- STANDARD 15: ECONOMIC GROWTH. Investment in factories, machinery, new technology, and in the health, education, and training of people stimulates economic growth and can raise future standards of living.
- STANDARD 16: ROLE OF GOVERNMENT AND MARKET FAILURE. There is an economic role for government in a market economy whenever the benefits of a government policy outweigh its costs. Governments often provide for national defense, address environmental concerns, define and protect property rights, and attempt to make markets more competitive. Most government policies also have direct or indirect effects on peoples' incomes.
- STANDARD 17: GOVERNMENT FAILURE. Costs of government policies sometimes exceed benefits. This may occur because of incentives facing voters, government officials, and government employees, because of actions by special interest groups that can impose costs on the general public, or because social goals other than economic efficiency are being pursued.
- STANDARD 18: ECONOMIC FLUCTUATIONS. Fluctuations in a nation's overall levels of income, employment, and prices are determined by the interaction of spending and production decisions made by all households, firms, government agencies, and others in the economy. Recessions occur when overall levels of income and employment decline.
- STANDARD 19: UNEMPLOYMENT AND INFLATION. Unemployment imposes costs on individuals and the overall economy. Inflation, both expected and unexpected, also imposes costs on individuals and the overall economy. Unemployment increases during recessions and decreases during recoveries.
- STANDARD 20: FISCAL AND MONETARY POLICY. Federal government budgetary policy and the Federal Reserve System's monetary policy influence the overall levels of employment, output, and prices.

Unit 4: Money and Monetary Policies	**Unit Length:** 6 Weeks

Students will know:	**Students will be able to:**
• Relate money and banking to the money supply. • Explain how countries pay for international transactions. • Explain how international banking differs from domestic banking. • Describe how banks create money. • Analyze the macroeconomic impact of monetary policy. • Explain how the Fed uses its tools to set monetary policy. • Describe the role of central banks in the foreign exchange market. • Analyze the effect of monetary policy on the equilibrium level of real GDP.	• Analyze data for its relevance to solving problems. • Analyze data/information from tables and graphs. • Analyze Fed actions and their effects. • Analyze how fiscal policy is used to combat the problems of recession and/or inflation. • Analyze how government policy interferes in the market functions. • Analyze the impact on aggregate demand of monetary and/or fiscal policies. • Analyze the implications of economic problems. • Assess the causes of the business cycle. • Assess the role of the Federal Reserve in the economy. • Compare how the economy in the short run differs from the economy in the long run. • Compare the advantages of money over barter. • Define of both the money supply and money demand and the factors that affect each of them. • Defines unit terminology. • Describe how banks create money. • Describe the basic role of banks in the economy. • Evaluate the relationship between economic problems and the Fed's decision to either expand or contract the supply of money. • Explain the basic organization of the Fed. • Formulating hypotheses based on a variety of economic laws enhances problem solving. **(Continued on next page)**

Unit 4: Money and Monetary Policy (Continued)

Students will know:	Students will be able to:
	• Predict the results of changes in government interference in the market system. • Support a position with relevant and real-time data. • Understand that economic decision-making occurs through rational thinking. • Understanding based on theories and data is critical for problem solving. • Use monetary/fiscal policies to show cause and effect relationships. • Use deductive logic to solve economic mysteries.

Standard(s):

- STANDARD 10: INSTITUTIONS. Institutions evolve and are created to help individuals and groups accomplish their goals. Banks, labor unions, markets, corporations, legal systems, and not-for-profit organizations are examples of important institutions. A different kind of institution, clearly defined and enforced property rights, is essential to a market economy.
- STANDARD 11: MONEY AND INFLATION. Money makes it easier to trade, borrow, save, invest, and compare the value of goods and services. The amount of money in the economy affects the overall price level. Inflation is an increase in the overall price level that reduces the value of money.
- STANDARD 12: INTEREST RATES. Interest rates, adjusted for inflation, rise and fall to balance the amount saved with the amount borrowed, which affects the allocation of scarce resources between present and future uses.
- STANDARD 13: INCOME. Income for most people is determined by the market value of the productive resources they sell. What workers earn primarily depends on the market value of what they produce.
- STANDARD 15: ECONOMIC GROWTH. Investment in factories, machinery, new technology, and in the health, education, and training of people stimulates economic growth and can raise future standards of living.
- STANDARD 16: ROLE OF GOVERNMENT AND MARKET FAILURE. There is an economic role for government in a market economy whenever the benefits of a government policy outweigh its costs. Governments often provide for national defense, address environmental concerns, define and protect property rights, and attempt to make markets more competitive. Most government policies also have direct or indirect effects on peoples' incomes.
- STANDARD 17: GOVERNMENT FAILURE. Costs of government policies sometimes exceed benefits. This may occur because of incentives facing voters, government officials, and government employees, because of actions by special interest groups that can impose costs on the general public, or because social goals other than economic efficiency are being pursued.

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Unit 4: Money and Monetary Policy (Continued)

Standard(s):
• STANDARD 18: ECONOMIC FLUCTUATIONS. Fluctuations in a nation's overall levels of income, employment, and prices are determined by the interaction of spending and production decisions made by all households, firms, government agencies, and others in the economy. Recessions occur when overall levels of income and employment decline. • STANDARD 20: FISCAL AND MONETARY POLICY. Federal government budgetary policy and the Federal Reserve System's monetary policy influence the overall levels of employment, output, and prices.

Unit 5: Trade and Economic Growth	**Unit Length:** 1 Month
Students will know: 1. Summarize the importance of international trade to the U.S. in terms of overall volume. 2. List the major imports and exports of the United States. 3. State two economic points that explain why nations trade. 4. Compute, when given appropriate data, the relative costs of producing two commodities in two countries and determine which nation has the comparative advantage in each good. 5. Compute, when given appropriate data, the range for the terms of trade. 6. Calculate the potential gains from trade and specialization for each nation and the world when given appropriate data. 7. State the economist's case for free trade. 8. Explain the relationship between world prices and American export supply curve, and the relationship between world prices and American import demand curve. 9. Explain international equilibrium price and quantity using a two-nation market model for import demand and export supply. 10. Identify four types of trade barriers. 11. Describe the economic impact of tariffs, including both direct and indirect effects. 12. Contrast the economic impact of a quota with that of a tariff. 13. List seven arguments in favor of protectionist barriers, and critically evaluate each. **(Continued on next page)**	**Students will be able to:** 1. Analyze data for its relevance to solving problems. 2. Analyze data/information from tables and graphs. 3. Analyze how government policy interferes in the market functions. 4. Analyze the behavior of firms in free and hampered markets. 5. Analyze the effectiveness of government policies such as subsidies, taxes, quantity controls, and public provision of goods and services. 6. Analyze the fundamental economic problem. 7. Analyze the implications of economic problems. 8. Analyze the implications of scarcity. 9. Analyze types and causes of governmental inference in free trade. 10. Analyze ways in which governments and international; organizations can promote or inhibit development. 11. Apply economic concepts to personal choices. 12. Apply the principle of comparative advantage to determine the basis on which mutually advantageous trade can take place between individuals and/or countries and to identify comparative advantage from differences in opportunity costs. **(Continued on next page)**

Unit 6: Trade and Economic Growth (Continued)

Students will know:	**Students will be able to:**
14. Identify the costs of protectionist policies and their effects on income distribution. 15. Describe the major provisions of the WTO, and explain why some protest against the WTO. 16. Explain how trade adjustment assistance is used to mitigate harmful effects of world trade. 17. Describe offshoring and explain its benefits and costs to an economy. 18. Explain how U.S. exports create a demand for dollars and a supply of foreign exchange; and how U.S. imports create a demand for foreign exchange and a supply of dollars. 19. Explain and identify the various components of the balance of payments. 20. Identify trade and balance of payments deficits or surpluses when given appropriate data. 21. Explain how a nation finances a “deficit” and what it does with a “surplus.” 22. Explain how exchange rates are determined in a flexible system. 23. Explain how flexible exchange rates eliminate balance of payments disequilibria. 24. List five determinants of exchange rates. 25. List three disadvantages of flexible exchange rates. 26. List four ways a nation could control exchange rates under a fixed rate system. 27. Describe a system based on the gold standard, the Bretton Woods system, and a managed float exchange rate system. 28. Describe the causes and two effects of a trade deficit.	13. Communicate clearly and effectively utilizing economic terms. 14. Compare political statements as either positive or normative. 15. Compare those who benefit from free trade those who are hurt. 16. Compare traditional, market and command economy answers to the basic economic questions. 17. Critique various economic theories of capital, growth and development. 18. Debate solutions for contemporary economic issues. 19. Defines unit terminology. 20. Determining cause and effect relations is essential. 21. Distinguish the main schools of economic thought in history. 22. Draw conclusions from data concerning market forces and price. 23. Evaluate absolute and comparative advantages. 24. Evaluate the relationship between appreciation/depreciation of a nation’s currency and its level of imports/exports. 25. Explain how scientific discoveries and technological innovation create the need for property rights. 26. Explain the benefits of free trade. 27. Investigate why and how specialization and exchange increase the total output of goods and services through analysis of absolute and comparative advantage. 28. Research current economic issues. 29. Understanding based on theories and data is critical for problem solving. 30. Use deductive logic to solve economic mysteries.

Standard(s):

- STANDARD 1: SCARCITY. Productive resources are limited. Therefore, people cannot have all the goods and services they want; as a result, they must choose some things and give up others.

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Unit 6: Trade and Economic Growth (Continued)

Standard(s):

- STANDARD 5: TRADE. Voluntary exchange occurs only when all participating parties expect to gain. This is true for trade among individuals or organizations within a nation, and among individuals or organizations in different nations.
- STANDARD 6: SPECIALIZATION. When individuals, regions, and nations specialize in what they can produce at the lowest cost and then trade with others, both production and consumption increase.
- STANDARD 7: MARKETS AND PRICES. A market exists when buyers and sellers interact. This interaction determines market prices and thereby allocates scarce goods and services.
- STANDARD 9: COMPETITION AND MARKET STRUCTURE. Competition among sellers usually lowers costs and prices, and encourages producers to produce what consumers are willing and able to buy. Competition among buyers increases prices and allocates goods and services to those people who are willing and able to pay the most for them.
- STANDARD 10: INSTITUTIONS. Institutions evolve and are created to help individuals and groups accomplish their goals. Banks, labor unions, markets, corporations, legal systems, and not-for-profit organizations are examples of important institutions. A different kind of institution, clearly defined and enforced property rights, is essential to a market economy.
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