

AP MACROECONOMICS

Course Information Guide

Course Description: This course is a college-level course designed to cover the macroeconomic concepts connected to the economy as a whole. These concepts include the measuring national economic performance, aggregate supply and aggregate demand, fiscal and monetary policy, international economics, and economic policy. The course will also apply these concepts in actual current events and issues by analyzing these events and issues using the economic principles learned in the class. Students will be expected to come out of the course with an understanding of the key theories and working principles that shape the American economic system today and economic policy. They will also be prepared to successfully take the Advanced Placement Macroeconomics test in the Spring. This will be accomplished through discussion, debate, simulations, role-plays and student inquiry. Students are expected to take an active role in the class through keeping up on daily assignments, participating in class discussions and providing input on the course and issues studied.

Materials

- Textbooks - McConnell and Brue, Economics, 17th Ed., McGraw Hill, 2008. Krugman and Krugman, Economics, 2nd Ed., Worth Publishing, 2009.
- Handouts – Various sources including Freakonomics (Levitt and Dubner), Taking Sides: Economic Issues (Bonello), The Economics of Public Issues (Miller, Benjamin, and North), The Wall Street Journal articles, among others.
- Homework and in-class problems – Economics: Instructor’s Manual, (McConnell and Brue), and Advanced Placement Economics (Morton and Goodman, 3rd ed., NCEE 2003).
- www.reffonomics.com/textbook/microeconomics – supplemental graphs, explanations, and practice problems.
- Videos – “Economics U\$A”, “Commanding Heights”, “A House of Cards”

Requirements:

Logistics:

- This is a college-level course with college-level expectations. Therefore, students should enroll in the course only after careful consideration and be prepared to commit the required time and effort to the course once this commitment has been made.
- Daily work is a key to this course. Economic principles by nature build on each other. Therefore, neglecting one daily assignment not only hurts your ability to understand for that day but also impairs your ability to understand future concepts. Since this is a college-level course, and will be run as such, there is no "busy work" and all work assigned should be given the attention a course of this nature merits.
- You will be given homework assignments, some of which will be graded. These assignments vary in difficulty. Some will require you to use your text to figure out the problems. They may also require you to go beyond the obvious. It is key to work through the problems and find answers.
 - Homework assignments are all due at the beginning of the class on the day for which they are due. Late work will not be accepted. If you need an extension for any assignment, this must be obtained prior to the day that the assignment is due. Since you will be given a list of assignments in advance, all tests and assignments will still be taken or due on the day in the schedule even if you have been absent. It is your responsibility to make up the work. If extenuating circumstances arise, please see me as early as possible.

Grading Policy:

•Each student's grade will be determined by the percentage of the cumulative total points possible that he or she has earned. The grading scale is as follows:

90-100% = A 80-89.9% = B 70-79.9% = C 60-70.9% = D < 60% = F

•There will be approximately 1000 points possible for the semester. These will include:

5 tests - 500 points (100 points each)

Each test will consist of a multiple choice section (approximately 50 points) and a written section (approximately 50 points) which will contain graphs, short explanations, and applications of the concepts being studied.

Quizzes - 100 points total

There will be multiple unannounced quizzes on various topics. These unannounced quizzes will be questions taken from previous AP tests.

In-class grade - 200 points

This is based on your article review/presentation (30 points), your debate (50 points), your presentation (30 points), in class assignments (50 points) and your contributions to the class (50 points).

Final exam - 200 points.

Junior Option – Juniors will have the option after the AP test to write a research paper addressing a current economic problem or situation. They will need to define the problem including the macroeconomic causes, identify potential policy solutions, and evaluate both the positives and negatives of each solution. This paper will need appropriate references, graphs, and statistical information. These will be worth 100 points.

Grades will not be curved so it is possible for all students to earn an "A" (however, the flip side of that is also true!).

AP Macroeconomics Course Outline

Unit 1 – Measurement of Economic Performance (4 weeks)

I. GDP Measurement and National Income

Chapters 6 and 7

A. Measuring national output

1. GDP

- a. Components of GDP
- b. Expenditure approach vs. income approach
- c. Real versus nominal GDP
- d. Problems with calculating GDP

B. Inflation and Unemployment

1. The business cycle

2. Unemployment

- a. how it is measured
- b. natural rate
- c. types – cyclical, structural, frictional, seasonal
- d. GDP gap

3. Inflation

- a. CPI and how it is measured
- b. real v. nominal
- c. problems with CPI
- d. types – demand pull v. cost push
- e. impact of inflation
- f. inflationary gap

II. Aggregate Demand/Aggregate Supply Model (*CR2, CR3, CR6, CR8, CR9*)

Chapters 8, 9, 10

A. Aggregate demand and graphing

1. Determinants of AD

2. MPC + MPS

- a. consumption and savings schedules
- b. income-consumption and income-savings relationships
- c. multiplier effect

B. Aggregate supply and graphing

1. Determinants of AS

2. SR vs. LR

3. Classical vs. Keynesian view

- a. sticky v. flexible wages and prices

C. Macroeconomic Equilibrium and graphing

1. Impacts of AD shifts

2. Impacts of AS shifts

3. Real v. nominal changes in price level and GDP

Unit 2 – Fiscal Policy (2-3 weeks)

I. Discretionary Fiscal Policy (CR3, CR8, CR9)

Chapter 11

- A. Changes in government spending
 - 1. political and economic impacts
 - 2. graphical illustration
- B. Changes in taxation policy
 - 1. progressive, regressive, proportional taxes
 - 2. impacts of changing the tax system/incidence
- C. Policy options – more G or less tax and more C?
- D. Impact on the budget
 - 1. automatic stability and spending
 - 2. recent deficits
 - a. deficit reduction plans
 - i. Line-item veto
 - ii. Balanced Budget Amendment
 - iii. Political vs. Economic decisionmaking
- E. Other criticisms of fiscal policy
 - 1. Timing and lag time
 - 2. Crowding out
- F. Supply-side economics
- G. Laffer curve

Unit 3 – Money, Banking, the Financial Sector, and Monetary Policy (3-4 weeks)

I. Money (CR4, CR9)

Chapter 12

- A. Functions of money
- B. Money supply
 - 1. Components – M1, M2, M3
 - 2. Backing?
- C. Money, Stocks and Bonds
 - 1. Markets for each – S+D
 - a. Money market vs. loanable funds market graphs
 - b. Real v. nominal interest rates

II. The Federal Reserve (CR4, CR8, CR9)

Chapters 12, 13 and 14

- A. Role of the Fed and money creation
 - 1. Fed set-up
 - 2. Control of commercial banks
 - 3. Money multiplier and money creation
- B. Monetary policy
 - 1. Open market operations
 - 2. Reserve ratio
 - 3. Discount rate
 - 4. Effectiveness of various monetary policies

- C. Monetarists
 - 1. $MV=PQ$
 - 2. Monetary rule

Unit 4 – International Economics (2 weeks)

- I. Benefits of trade (CR7, CR8, CR9)
 - Chapters 35 and 36*
 - A. Absolute and comparative advantage
 - 1. limits of trade
 - 2. gains of trade
 - B. Graphical depiction of trade
 - 1. Supply and demand with international trade
 - 2. New consumer or producer surplus
 - 3. Imports and Exports
- II. Free Trade vs. Protectionism
 - A. Trade barriers
 - 1. Tariffs
 - 2. Quotas
 - 3. Voluntary Export Restrictions
 - 4. Non-tariff barriers
 - B. Trade Agreements
 - 1. NAFTA
 - 2. WTO
 - 3. European Union
 - 4. FTAA
- III. Balance of Payments
 - A. Current Accounts
 - B. Capital Accounts
 - C. Balance of Trade issues
- IV. Exchange Rates
 - A. Supply and Demand of foreign exchange
 - B. Foreign exchange equilibrium
 - 1. Appreciation
 - 2. Depreciation
 - C. Graphical depiction of exchange rates
 - D. Fixed vs. flexible rates arguments

Unit 5 – Macroeconomic Issues and Theories (2 weeks)

- I. Economic Growth and Productivity (CR2, CR5)
 - Chapter 16*
 - A. Factors of Economic Growth
 - 1. Supply factors
 - 2. Demand factors

- 3. Human Capital
- 4. Physical capital
- 5. Technology
- B. U.S. economic growth trends and causes
- C. Growth policy-related issues
- D. Sustainability of U.S. growth
- II. Competing Macroeconomic Theories (*CR2, CR3, CR4, CR5, CR8, CR9*)
Chapters 15, 17
 - A. Keynesianism
 - B. Monetarism
 - C. New Classical view of self-correction
 - C. Supply-side economics
 - D. Rational Expectations Theory
 - E. Phillips Curve
 - 1. Short run v. Long run
 - F. Policy rules vs. discretionary policy

Unit 6 – AP Test Review and Final Exam (2 weeks)