

AP Macroeconomics Syllabus Course Outline

Required text:

Economics: Principles, Problems, and Policies
McConnel and Brue 15th edition

Unit One: Basic Economic Concepts - Four Weeks

Chapters Included in Unit One: 1, 2, 3, 6

- 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

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

Graphs

Production possibilities curve (frontier)
Demand and supply curves showing equilibrium
Demand and supply curves showing shifts in demand/supply

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>

Unit Two: Measurement of Economic Performance – Three Weeks

Chapters Included in Unit Two: 7, 8

A. National income accounts

1. Circular flow
2. Gross domestic product
3. Components of gross domestic product
4. Real versus nominal gross domestic product

B. Inflation measurement and adjustment

1. Price indices
2. Nominal and real values
3. Costs of inflation

C. Unemployment

1. Definition and measurement
2. Types of unemployment
3. Natural rate of unemployment

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

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

Unit Three: National Income and Price Determination – Three Weeks

Chapters Included in Unit Three: 9 and 11

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

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

Graphs

Investment demand curve

Aggregate demand and short run aggregate supply curve

Aggregate demand and long run aggregate supply curve

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>

Unit Four: Financial Sector – Two Weeks

Chapters Included in Unit Four: 13, 14, 15, and 29

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

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>

Unit Five: Inflation, Unemployment, and Stabilization Policies – Three Weeks

Chapters included in Unit Five: 12, 15, 16, and 18

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

List of Key Concepts and Graphs

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

Unit Six: Growth and Productivity - One Week

Chapter Included in Unit Six: 17

- A. Investment in human capital
- B. Investment in physical capital
- C. Research and development, and technological development
- D. Growth policy
- E. Productivity

List of Key Concepts and Graphs

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

Unit Seven: International Trade and Finance - Two Weeks

Chapters Included in Unit Seven: 6, 37, and 38

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

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

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

The AP National Examination
Macroeconomics Exam will be given
Thursday, May 17
Morning Session
8 a.m.

All students are expected to sign up and take the exam.

The AP Macroeconomics Exam is a little over two hours long. The exam consists of a 70-minute multiple-choice section and a 60-minute free-response section. Some questions in the free-response section require graphical analysis. The free-response section begins with a mandatory 10-minute reading period. During this period, students are advised to read each of the questions, sketch graphs, make notes, and plan their answers. Students then have 50 minutes to write their answers. The multiple-choice section accounts for two-thirds of the student's exam grade and the free-response section for the remaining one-third.