

# AP MACROECONOMICS

## ***SYLLABUS B: (Macroeconomics)***

### **INTRODUCTION:**

The AP program in Macroeconomics is designed to provide students with the analytical skills and factual knowledge necessary to deal critically with the problems and materials in economics. The program prepares students for intermediate and advanced college courses by making demands upon them equivalent to those made by introductory college courses. Students should learn to assess economic data - their relevance to a given interpretive problem, their reliability, and their importance- and to weigh the evidence and interpretations presented in economic scholarship. An AP Macroeconomics course should thus develop the skills necessary to arrive at conclusions on the basis of an informed judgment and to present reasons, analysis, synthesis and evidence clearly and persuasively in a free response format.

### **COURSE OBJECTIVES:**

This course examines the economic system as a whole. The course places special emphasis on the study of national income, price level determination, economic performance measures, the financial sector, stabilization policies, economic growth, and international economics. The goals for the class are four-fold: 1) To increase the students understanding of the American economic system – output, unemployment and inflation. 2) To use graphic representation to explain economic events. 3) To apply monetary and fiscal policy to counteract economic problems. 4) To gain sufficient understanding, analytical skill and problem solving ability to pass the AP test for university credit.

### **TEXTBOOK & SUPPLEMENTAL MATERIALS:**

McConnell and Brue Economics: Principles, Problems, and Policies, 16<sup>th</sup> edition Boston, Mc-Graw-Hill 2005. The text is used in conjunction with the test bank and study guide.

Morton, John, and Rae Goodman, AP Economics Teacher Resource Manual and Workbook, New York: The National Council on Economic Education.

The Economist Magazine

Federal Reserve Bank of St. Louis website

Wall, Howard, The Regional Economist, St. Louis: Federal Reserve Bank of St. Louis

Collegeboard.com/ap website

Various test preparation books will be shared at year-end for your review and use.

## **UNIT 1: AN INTRODUCTION TO ECONOMICS (2 WEEKS)**

**Readings:** McConnell and Brue chapters 1, 2, 4, and 5. Chapter 1, The Nature and Method of Economics pp 3-21

### **Topics:**

- The economic perspective: scarcity and choice, rational behavior, marginalism, benefits and costs.
- Why study economics: Economics for citizenship, professional and personal applications
- Economic methodology: theoretical economics, policy economics
- Macroeconomics and microeconomics: macroeconomics, microeconomics, positive and normative economics
- Pitfalls to sound reasoning: biases, loaded terminology, definitions, fallacy of composition, causation fallacies
- Appendix to chapter 1: graphs and their meaning

**Readings:** Chapter 2, The economizing problem, pp. 22 – 38

### **Topics:**

- The foundation of economics: unlimited wants, scarce resources
- Economics: employment and efficiency, full employment, using available resources, full production, using resources efficiently, production possibilities table, production possibilities curve, law of increasing opportunity cost, efficiency revisited
- Unemployment, Growth and the Future: unemployment and productive efficiency, a growing economy, a qualification- international trade, examples and applications
- Consider this: A matter of degrees, Is college worth the cost?
- Economic systems: the market system, the command system
- The circular flow model

**Readings:** Chapter 4, the market system, pp. 60-72

### **Topics:**

- Characteristics of the market system: private property, freedom of enterprise and choice, self-interest, competition, markets and prices, reliance on technology and capital goods, specialization, use of money, active but limited government
- The market system at work: what will be produced, how will goods and services be produced, who will get the goods and services, how will the system accommodate change?
- Competition and the “Invisible hand”

**Readings:** Chapter 5, The U.S. Economy: private and public sectors, pp 73-90

**Topics:**

- Households as income receivers: functional distribution of income, the personal distribution of income
- The business population
- Legal forms of businesses: advantages and disadvantages, the principle-agent problem
- The public sector: government's role
- Providing the legal structure, maintaining competition, redistributing income, reallocating resources, promoting stability, government's role: a qualification
- The Circular Flow revisited

**Activities and assessments**

The cycle of instruction is to first use the text to introduce the concepts. Students are assigned notes, outlines, graphs and their captions, and the vocabulary list for each chapter. Students are also assigned completion of four sections of each chapter's study guide: fill in the blanks, true - false, multiple choice, and problems. After the study guide for a chapter is turned in, the students get a multiple-choice quiz on the study guide. The day after the study guide and quiz have been completed the chapter notes are due. The students on that day will get a chapter test on content that will reinforce vocabulary definitions and understanding of tables and graphs. Once these have been accomplished, the students are ready for lectures on chapter content and activities that will reinforce the understanding.

**Unit 1** activities come from the Advanced Placement Economics supplemental materials of the National Council on Economic Education. These activities are presented along with lectures and use of graphs that parallel the chapter content. Unit 1 activities are planned as follows.

**Schedule:**

- Day 1: Review scarcity, opportunity costs and the production possibilities curve using visuals 1.1 and 1.2. Concepts from activity 1 are discussed but not assigned.
- Day 2: Lecture on trade and absolute advantage and comparative advantage using visuals 1.3 and 1.4. Activity #2 is assigned as homework.
- Day 3: Review activity 2. Lecture on demand using visuals 1.5 and 1.6. Begin activity 3 in class and assign the remainder as homework.
- Day 4: Review activity 3. Use visual 1.6 to emphasize determinants of demand. Activity 4 is accomplished in class.
- Day 5: Review answers to activity 4. Lecture on supply using visuals 1.7 and 1.8. Begin activity 5 in class; have students complete activity 5 as homework.
- Day 6: Review activity 5. Use visual 1.8 to emphasize the determinants of supply. Activity 6 is accomplished in class.

- Day 7: Review activity 6. Lecture on market equilibrium using visual 1.9. Activity 7 is done in class and completed as homework.
- Day 8: Review activity 7. Lecture on elasticity using visuals 1.10 and 1.11 and 1.12. Students complete activity 8 in class and finish it as necessary as homework.
- Day 9: Review activity 8; review for the unit test.
- Day 10: Unit 1 test.

## **UNIT 2: MACROECONOMIC MEASUREMENT AND BASIC CONCEPTS (2 WEEKS)**

**Readings:** McConnell and Brue chapters 7 and 8. Chapter 7, Measuring Domestic Output and National Income, pp. 112-130

### **Topics:**

Assessing the economy's performance

Gross domestic product: a monetary measure; avoiding multiple counting; GDP excludes non-production transactions; two ways of looking at GDP: spending and income

The expenditure approach: personal consumption expenditures (C); gross private domestic investment (I); government purchases (G); net exports (X-M); putting it all together;  $GDP=C+I+G+(X-M)$

Consider this: stock answers about flows

The income approach: compensation of employees; rents; interest; proprietor's income; corporate profits; from national income to GDP

Other national accounts: net domestic product; national income; personal income; disposable income; the circular flow revisited

Nominal GDP versus Real GDP: adjustment process in a one-product economy; an alternative method; real-world considerations and data

Shortcomings of GDP: non-market activities; leisure; improved product quality; the underground economy; GDP and the environment; composition and distribution of output; non-economic sources of well-being

**Readings:** Chapter 8 Introduction to economic growth and instability, pp. 131-151

### **Topics:**

- Economic growth: growth as a goal; arithmetic of growth; main sources of growth; growth in the United States; relative growth rates
- The business cycle: phases of the business cycle; causation: a first glance; cyclical impact: durables and non-durables
- Unemployment: measurement of unemployment; types of unemployment; definition of full employment economic cost of unemployment; non-economic costs; international comparisons
- Inflation: meaning of inflation; measurement of inflation; facts of inflation; types of inflation; complexities
- Consider this: clipping coins

- Redistribution effects of inflation: who is hurt by inflation; who is unaffected or helped by inflation; anticipated inflation
- Effects of inflation on output: cost-push inflation and real output; demand-pull inflation and real output; hyperinflation and breakdown
- Last Word: the stock market and the economy

### **Activities and assessments**

The cycle of instruction is to first use the text to introduce the concepts. Students are assigned notes, outlines, graphs and their captions, and the vocabulary list for each chapter. Students are also assigned completion of four sections of each chapter's study guide: fill in the blanks, true - false, multiple choice, and problems. After the study guide for a chapter is turned in, the students get a multiple-choice quiz on the study guide. The day after the study guide and quiz have been completed the chapter notes are due. The students on that day will get a chapter test on content that will reinforce vocabulary definitions and understanding of tables and graphs. Once these have been accomplished, the students are ready for lectures on chapter content and activities that will reinforce the understanding.

**Unit 2** activities come from the Advanced Placement Economics supplemental materials of the National Council on Economic Education. These activities are presented along with lectures and use of graphs that parallel the chapter content. Unit 2 activities are planned as follows.

### **Schedule:**

- Day 1: Introduce macroeconomics using visuals 2.1 and 2.2. Have students complete activity 9 and discuss its answers. Use visual 2.3 to discuss circular flow. Students will complete activity 10 and review it.
- Day 2: Use visual 2.4 to discuss economic goals. Lecture on measuring key macroeconomic variables. Students will complete activity 11 and review it. Activity 12 is assigned for homework.
- Day 3: Discuss activity 12. Lecture on price indexes and inflation. Students will complete activity 13 in class and review it.
- Day 4: Play the inflation game (activity 14). Students will complete activity 15 for homework.
- Day 5: Review activity 15. Lecture on unemployment using visuals 2.5 and 2.6. Students will complete activity 16 in class and review it.
- Day 6: Lecture on business cycles, using visual 2.7. Have the student's complete activity 17 in class and discuss the answers.
- Day 7: Students will complete activity 18 as review for the unit test. Discuss activity 18 and key ideas of the unit.
- Day 8: Unit 2 exam.

## **UNIT 3: MACROECONOMIC RELATIONSHIPS, MODELS, AND FISCAL POLICY (5 WEEKS)**

**Readings:** McConnell and Brue chapters 9, 10, 11 and 12. Chapter 9: Basic macroeconomic relationships, pp 152-171

### **Topics:**

- The income-consumption and income-saving relationships: the consumption schedule; the saving schedule; average and marginal propensities; non-income determinants of consumption and saving; terminology, shifts, and stability
- Consider this: What wealth effect?
- The real interest rate-investment relationship: expected rate of return; the real interest rate; investment demand curve; shifts of the investment demand curve; instability of investment
- The multiplier effect: rationale; the multiplier and the marginal propensities; how large is the actual multiplier effect?

**Readings:** Chapter 10: The aggregate expenditures model, pp. 172-192

### **Topics:**

- Simplifications
- Consumption and investment schedules
- Equilibrium GDP:  $C+I=GDP$ : Tabular analysis; graphical analysis
- Other features of equilibrium GDP: saving equals planned investment; no unplanned changes in inventories
- Changes in equilibrium GDP and the multiplier
- Adding international trade: net exports and aggregate expenditures; the net export schedule; net exports and equilibrium GDP; international economic linkages
- Adding the public sector: government purchases and equilibrium GDP; taxation and equilibrium GDP
- Equilibrium versus full-employment GDP: recessionary gap; application: the US recession of 2001; inflationary gap; application: US inflation in the late 1980's
- Limitations of the model
- Last Word: Say's Law, the Great Depression, and Keynes

**Readings:** Chapter 11: Aggregate demand and aggregate supply, pp. 193-213

### **Topics:**

- Aggregate demand: aggregate demand curve; determinants of aggregate demand
- Aggregate supply: aggregate supply in the long run; aggregate supply in the short run; determinants of aggregate supply

- Equilibrium and changes in equilibrium: increases in AD: demand-pull inflation; decreases in AD: recession and cyclical unemployment; decreases in AS: cost-push inflation; increases in AS: full employment with price-level stability
- Consider this: Ratchet effect
- Appendix to chapter 11: the relationship of the aggregate demand curve to the aggregate expenditures model: deriving the aggregate demand curve from the aggregate expenditures model; aggregate demand shifts and the aggregate expenditures model

**Readings:** Chapter 12: Fiscal policy

**Topics:**

- Legislative mandates
- Fiscal policy and the AD-AS model: expansionary fiscal policy; contractionary fiscal policy; financing of deficits and disposing of surpluses; policy options: G or T
- Built-in stability: automatic or built-in stabilizers
- Evaluating fiscal policy: full-employment budget; recent US fiscal policy
- Problems, criticisms, and complications: problems of timing; political considerations; future policy reversals; offsetting state and local finance; crowding-out effect; fiscal policy in the open economy
- Last Word: the leading indicators
- Current thinking on fiscal policy

**Activities and assessments**

The cycle of instruction is to first use the text to introduce the concepts. Students are assigned notes, outlines, graphs and their captions, and the vocabulary list for each chapter. Students are also assigned completion of four sections of each chapter's study guide: fill in the blanks, true - false, multiple choice, and problems. After the study guide for a chapter is turned in, the students get a multiple-choice quiz on the study guide. The day after the study guide and quiz have been completed the chapter notes are due. The students on that day will get a chapter test on content that will reinforce vocabulary definitions and understanding of tables and graphs. Once these have been accomplished, the students are ready for lectures on chapter content and activities that will reinforce the understanding.

**Unit 3** activities come from the Advanced Placement Economics supplemental materials of the National Council on Economic Education. These activities are presented along with lectures and use of graphs that parallel the chapter content. Unit 3 activities are planned as follows.

**Schedule:**

- Day 1: Lecture on simple Keynesian model using visuals 3.1 and 3.2.
- Day 2: The students will complete activity 19 and review it in class.
- Day 3: Discuss consumption and savings using visual 3.3. Students will complete activity 20 as homework.
- Day 4: Review activity 20. Use visual 3.4 to show the effect of an increase in investment on the aggregate expenditure and to introduce the multiplier. Students will complete activity 21 as homework.
- Day 5: Discuss activity 21. Discuss investment expenditures using visuals 3.4, 3.5 and 3.6. Students will complete activity 22 for homework.
- Day 6: Review activity 22. Discuss aggregate demand using visual 3.7.
- Day 7: Continue discussion of aggregate demand using visual 3.8. Students will start activity 23 in class and complete it for homework.
- Day 8: Review activity 23. Discuss aggregate supply and the labor market using visual 3.9.
- Day 9: Review aggregate supply using visual 3.10. Students will start activity 24 in class and complete it as homework.
- Day 10: Review activity 24. Lecture on macro equilibrium, using visual 3.11. Use visual 3.12 to study to study an increase in AD. Students will complete activity 25 as homework.
- Day 11: Review activity 25. Show the parallels between the Keynesian and the AD and AS models. Students will complete activity 26 as homework.
- Day 12: Review activity 26. Review shifts in the AD curve. Discuss demand shocks. Students will complete part A of activity 27 and review it.
- Day 13: Discuss shifts in the AS curve. Discuss supply shocks. Students will complete part B of activity 27 and review it. Part C of activity 27 will be done as homework.
- Day 14: Review part C of activity 27. Discuss AD and AS model adjustments using visual 3.13.
- Day 15: Continue discussion of the self – correcting or dynamic AD and AS model. Students will complete activity 28.
- Day 16: Review activity 28. Discuss the LRAS curve and review the production possibilities curve using visual 3.14. Students will complete activity 29 as homework.
- Day 17: Review activity 29. Discuss tools of fiscal policy. Students will complete activity 30.
- Day 18: Review activity 30. Continue discussion of fiscal policy. Students will complete activity 31.
- Day 19: Review activity 31. Discuss the Keynesian and the AD and AS models. Students will complete activity 32.
- Day 20: Review activity 32. Students will complete activity 33.
- Day 21: Review activity 33. Review for the unit 3 exam.
- Day 22: Give the multiple-choice portion of the exam.
- Day 23: Give the free-response portion of the exam.

## **UNIT 4: MONEY, BANKING, THE FEDERAL RESERVE, AND MONETARY POLICY APPLIED TO AGGREGATE SUPPLY (3 WEEKS)**

**Readings:** McConnell and Brue chapters 13, 14, 15, and 16. Chapter 13: Money and banking, pp 232-251

### **Topics:**

- Functions of money
- The supply of money: money definition M1; money definition M2; money definition M3
- Consider this: Are credit cards money?
- What “backs” the money supply? Money as debt; value of money; money and prices; stabilization of money’s value
- The demand for money: transactions demand; asset demand; total money demand
- The money market: adjustment to a decline in the money supply; adjustment to an increase in the money supply
- The Federal Reserve and the banking system: historical background; board of governors; FOMC; the 12 Federal Reserve Banks; commercial banks and thrifts; Fed functions and the money supply; Federal Reserve independence
- Recent developments in money and banking: the relative decline of banks and thrifts; consolidation of banks and thrifts; convergence of services provided by financial institutions; globalization of financial markets; electronic transactions
- Last word: the global greenback

**Readings:** Chapter 14: How banks and thrifts create money, pp. 252-267

### **Topics:**

- The balance sheet of a commercial bank
- Prologue: the goldsmiths
- A single commercial bank: formation of a commercial bank; money-creating transactions of a commercial bank; profits, liquidity, and the Federal Funds market
- The banking system: multiple deposit expansion: the banking system’s lending potential; the monetary multiplier; some modifications; need for monetary control
- Last Word: the bank panics of 1930 to 1933

**Readings:** Chapter 15: Monetary Policy

**Topics:**

- Consolidated balance sheet of the Federal Reserve banks: assets; liabilities
- Tools of monetary policy: open-market operations; the reserve ratio; the discount rate; easy money and tight money; relative importance
- Monetary policy, real GDP, and the price level: cause-effect chain; effects of an easy money policy; effects of a tight money policy
- Monetary policy in action: the focus on the Federal Funds Rate; recent monetary policy; problems and complications; “artful management” or “inflation targeting”? monetary policy and the international economy

**Readings:** Chapter 16: Extending the analysis of aggregate supply, pp 292-307

**Topics:**

- From short run to long run: short-run aggregate supply; long-run aggregate supply; equilibrium in the extended AD-AS model
- Applying the extended AD-AS model: Demand-pull inflation in the extended AD-AS model; cost-push inflation in the extended AD-AS model; recession and the extended AD-AS model
- The inflation-unemployment relationship: The Phillips Curve; aggregate supply shocks and the Phillips Curve
- The Long-run Phillips Curve: the short-run Phillips Curve; long-run vertical Phillips Curve; disinflation
- Taxation and aggregate supply: taxes and incentives to work; incentives to save and invest; the Laffer Curve; criticisms of the Laffer Curve; rebuttal and evaluation
- Last Word: Has the impact of oil prices diminished?

**Activities and assessments**

The cycle of instruction is to first use the text to introduce the concepts. Students are assigned notes, outlines, graphs and their captions, and the vocabulary list for each chapter. Students are also assigned completion of four sections of each chapter’s study guide: fill in the blanks, true - false, multiple choice, and problems. After the study guide for a chapter is turned in, the students get a multiple-choice quiz on the study guide. The day after the study guide and quiz have been completed the chapter notes are due. The students on that day will get a chapter test on content that will reinforce vocabulary definitions and understanding of tables and graphs. Once these have been accomplished, the students are ready for lectures on chapter content and activities that will reinforce the understanding.

**Unit 4** activities come from the Advanced Placement Economics supplemental materials of the National Council on Economic Education. These activities are presented along with lectures and use of graphs that parallel the chapter content. Unit 4 activities are planned as follows.

**Schedule:**

- Day 1: Lecture on the properties and functions of money. Students complete activity 34. Review 34 in class.
- Day 2: Lecture on the definitions of money. Students complete activity 35 in class and review it.
- Day 3: Lecture on the equation of exchange. Students complete activity 36.
- Day 4: Review activity 36. Lecture on financial institutions and the money creation process
- Day 5: Review the money creation process. Students will complete activity 37 and review it.
- Day 6: Discuss the Federal Reserve System and its tools to control money supply. Students will accomplish activity 38.
- Day 7: Review activity 38. use visual 4.1, 4.2, and 4.3 to develop the money market. Students will complete activity 39.
- Day 8: Review activity 39. Lecture on monetary policy and its effects on the economy using visual 4.4. The students will complete activity 40.
- Day 9: Review activity 40. Lecture on the real versus nominal interest rates and the Fisher Effect.
- Day 10: Have student's complete activity 41 and review it.
- Day 11: Review factors that shift aggregate demand and aggregate supply in the short run and long run using visual 3.13. Students will accomplish activity 42.
- Day 12: Review activity 42. Review for unit 4 exam.
- Day 13: Give the multiple-choice portion of the exam.
- Day 14: Give the free-response portion of the exam.

**UNIT 5: COMBINING MONETARY AND FISCAL POLICIES TO EFFECT LONG RUN ECONOMIC GROWTH (3 WEEKS)**

**Readings:** McConnell and Brue: chapters 17, 18, and 19. Chapter 17: Economic growth, pp. 308-324

**Topics:**

- Ingredients of growth: supply factors; demand factor; efficiency factor
- Production possibilities analysis: growth and production possibilities; labor and productivity; growth in the AD-AS model
- US economic growth rates
- Accounting for growth: labor inputs versus productivity; technological advance; quantity of capital; education and training; economies of scale and resource allocation; other factors
- The productivity acceleration: a new economy? Reasons for the productivity acceleration; macroeconomic implications; skepticism about permanence; what can we conclude?
- Is growth desirable and sustainable? The antigrowth view; in defense of economic growth
- Last word: women and economic growth

**Readings:** Chapter 18: Deficits, surpluses, and the public debt

**Topics:**

- Deficits, surpluses, and debt: definitions
- Budget philosophies: annually balanced budget; cyclically balanced budget; functional finance
- The public debt: facts and figures: causes; quantitative aspects; social security considerations
- False concerns: bankruptcy; burdening future generations
- Substantive issues: income distribution; incentives; foreign-owned public debt; crowding out and the stock of capital
- Deficits and surpluses: 1992-2012: from deficits to surpluses; what to do with the surpluses; back to deficits in 2002; the tax cuts of 2003
- Last word: the long-run fiscal imbalance: social security

**Readings:** Chapter 19: Disputes over macro theory and policy, pp. 338-355

**Topics:**

- Some history: classical economics and Keynes: the classical view; the Keynesian view
- What causes macro instability? Mainstream view; monetarist view; real-business-cycle view; coordination failures
- Does the economy self-correct? New classical view of self-correction; mainstream view of self-correction
- Rules or discretion? In support of policy rules; in defense of discretionary stabilization policy; increased macro stability

**Activities and assessments**

The cycle of instruction is to first use the text to introduce the concepts. Students are assigned notes, outlines, graphs and their captions, and the vocabulary list for each chapter. Students are also assigned completion of four sections of each chapter's study guide: fill in the blanks, true - false, multiple choice, and problems. After the study guide for a chapter is turned in, the students get a multiple-choice quiz on the study guide. The day after the study guide and quiz have been completed the chapter notes are due. The students on that day will get a chapter test on content that will reinforce vocabulary definitions and understanding of tables and graphs. Once these have been accomplished, the students are ready for lectures on chapter content and activities that will reinforce the understanding.

**Unit 5** activities come from the Advanced Placement Economics supplemental materials of the National Council on Economic Education. These activities are presented along with lectures and use of graphs that parallel the chapter content. Unit 5 activities are planned as follows.

**Schedule:**

- Day 1: Review the effects of monetary and fiscal policy on output, the price level, and interest rates. Discuss lags associated with stabilization policy. Use activity 43 to review monetary and fiscal policy.
- Day 2: Lecture on crowding-out using visual 5.1. Use aggregate demand and aggregate supply analysis to show the effects of crowding-out on output and the price level. Students will do part A of activity 44 in class and review it.
- Day 3: Use visual 5.2 to discuss the loanable funds market. Complete parts B and C of activity 44. in class and review it.
- Day 4: Use visual 5.3 to relate loanable funds, money markets, and the economy. Lecture on monetary and fiscal policy interactions short-run vs. long-run. Students will complete activity 45 for homework.
- Day 5: Review activity 45. Reinforce the understanding of the relationships among the loanable funds markets, the aggregate demand and the aggregate supply model.
- Day 6: Lecture on the short-run and long-run Phillips Curve. Use visual 5.4 to relate the Phillips Curve and the economy, using aggregate demand and aggregate supply analysis.
- Day 7: The students will complete activity 46 in class and review it.
- Day 8: Lecture on economic growth, including sources of economic growth and measurement. Have the students complete part A of activity 47.
- Day 9: Review part A of activity 47. Review how policies affect the sources of economic growth and the effects on the production possibilities curve. Students will complete the remainder of activity 47.
- Day 10: Review parts B and C of activity 47. Lecture on issues and sources of disagreement among economists, using visuals 5.2 and 5.3. Students will complete activity 48.
- Day 11: Review activity 48. Review for the unit 5 exam.
- Day 12: Give the multiple-choice portion of the exam.
- Day 13: Give the essay portion of the exam.

**UNIT SIX: U.S. AND THE GLOBAL ECONOMY (2 WEEKS)**

**Readings:** McConnell and Brue chapter 6. Chapter 6: The United States and the global economy

**Topics:**

- International linkages
- The United States and world trade: volume and pattern; rapid trade growth; participants in world trade
- Specialization and comparative advantage: basic principle; comparative costs; terms of trade; gains from specialization and trade
- The foreign exchange market: dollar-yen market; changing rates: depreciation and appreciation

- Government and trade: trade impediments and subsidies; why government trade interventions? Costs to society
- Multilateral trade agreements and free-trade zones: Reciprocal Trade Agreements Act; General Agreement on Tariffs and Trade; World Trade Organization; the European Union; North American Free Trade Agreement

### **Activities and assessments**

The cycle of instruction is to first use the text to introduce the concepts. Students are assigned notes, outlines, graphs and their captions, and the vocabulary list for each chapter. Students are also assigned completion of four sections of each chapter's study guide: fill in the blanks, true - false, multiple choice, and problems. After the study guide for a chapter is turned in, the students get a multiple-choice quiz on the study guide. The day after the study guide and quiz have been completed the chapter notes are due. The students on that day will get a chapter test on content that will reinforce vocabulary definitions and understanding of tables and graphs. Once these have been accomplished, the students are ready for lectures on chapter content and activities that will reinforce the understanding.

**Unit 6** activities come from the Advanced Placement Economics supplemental materials of the National Council on Economic Education. These activities are presented along with lectures and use of graphs that parallel the chapter content. Unit 6 activities are planned as follows.

### **Schedule:**

- Day 1: Review comparative advantage and production possibilities using visuals 6.1 and 6.2. Discuss the gains from trade. Students will complete activity 49 in class and review it. Activity 50 is assigned as homework.
- Day 2: Review activity 50. Lecture on barriers to trade using visual 6.3. Students will work on activity 51 in class and complete it for homework.
- Day 3: Review the answers to activity 51. Lecture on international finance. Activity 52 is completed in class.
- Day 4: Review activity 52. Review foreign exchange markets using visual 6.4. Begin activity 53; students will complete activity 53 as homework.
- Day 5: Review activity 53. Review monetary and fiscal policy and their effects on interest rates. Students will complete activity 54.
- Day 6: Review activity 54. Use activity 55 as a review for the unit exam.
- Day 7: Give both the multiple choice and essay portions of the unit 6 exam.

## **UNIT SEVEN: AP REVIEW AND SELECTED TOPICS**

Final dates to be determined

In-class exercise: AP released exam multiple choice with immediate discussion and feedback regarding “why this answer?” This will establish a diagnostic baseline for ongoing AP exam review.

75 Question released M/C

Free Response essay

Selected Topics

### **TEACHING STRATEGIES**

This is a large lecture course and, as such, the teaching strategies used focus on giving students opportunities to analyze and respond in class, to write mini-essays of 50 words or so reacting to provocative statements, and to do short role-play simulations.

Instructions are given throughout the course on the following:

- Essay organization diagram for free-response questions
- Essay tasks for AP Exam free-response questions
- List of directive terms used in free-response questions
- Reminders for answering timed essay questions
- Essay frame
- Generic free-response scoring guidelines
- Generic core-structure scoring guidelines
- Guidelines for responding to a graphing questions

### **STUDENT EVALUATION**

Quizzes are given on the reading assignments. Occasional outside-of-class assignments may also count as daily grades.

Test formats are objective (multiple choice) and free-response questions (called essay tests in the Course Syllabus)

Most objective tests consist of 50 to 75 multiple-choice questions and a 35-minute essay question, and are timed to approximate the time allowed on the AP Exam.

Homework is accepted before students begin to take the unit exam. The homework consists of unit terms and/or outlines; questions about readings, notations, and/or assigned primary and secondary sources; charts that pertain to the unit (e.g., characteristics, similarities, and differences between economic theories, governmental policies, etc.) and applicable graphic

data. Well-completed terms and course themes demonstrate a student's effort and most students find this to be indispensable in maintaining a high grade point average.

The unit exams are a requirement of the Macroeconomics course. A final semester comprehensive exam for all material covered will be given at the end of the term.

The final exam is a performance-based evaluation that helps students synthesize their learning from the semester. It consists of a variety of written exercises and cooperative group activities that also help students prepare for the AP Macroeconomic Exam.

The AP Macroeconomic Exam is comprehensive, covering material from the entire semester. Students who are enrolled in the AP Macroeconomic course are expected to take the AP Macroeconomic Exam. Class time and after school reviews are held prior to the AP Exam. In addition, many students participate in informal study group review sessions.