

Orange Unified School District  
**ECONOMICS MACRO AP**  
Semester Course

**GRADE LEVEL:** 12

**PREREQUISITES:** Ninety percentile on the total reading section of Stanford 9 and GPA of 3.6 on the past three semesters of social science or a currently identified GATE student.

**INTRODUCTION TO THE SUBJECT:**

The purpose of an AP course in Macroeconomics is to give students a thorough understanding of the principles of economics that apply to an economic system as a whole, with a focus on fiscal and monetary policies. Students should deepen their understanding of national income and price determination and develop a familiarity with economic performance measures, economic growth, and international economics. Students also will investigate fundamental economic concepts such as scarcity, opportunity, costs, and comparative advantage. Students will also develop an understanding of how the performance of economics can be measured by trends in gross national product, gross domestic product, inflation, and unemployment. Finally, students will develop an understanding of international finance, exchange rates, and balance of payments. This course meets all the California Economic Content Standards.\*

\*The California Economic Content Standards are included as an addendum to this document.

**COURSE OBJECTIVES:**

**BY THE END OF THE COURSE THE STUDENT WILL BE ABLE TO:**

Explain fundamental economic concepts such as scarcity and opportunity costs.

Determine the basis on which mutually advantageous trade can take place between countries.

Identify comparative advantage from differences in output levels and labor costs.

Describe how the tools of supply and demand can be used to analyze a market's economy.

Understand that performance of the economy is usually measured by trends in gross national product, gross domestic product, inflation, and unemployment.

Analyze the actual levels of the United States' inflation, unemployment, gross national product, and gross domestic product to show how changes in one may affect the others.

Discuss how the unemployment rate is measured and consider the seeming paradox of a positive unemployment rate when there is so-called full employment.

Investigate the effect of government fiscal policy on aggregate demand

Discuss the nature and shape of the aggregate demand and supply curves.

Explain differences between the Keynesian, classical, and new classical views of the shape of the aggregate supply curve and the importance of the shape in determining the effect of changes in aggregate demand on the economy.

Discuss the definition of money, fractional reserve banking, and the Federal Reserve System.

Investigate how equilibrium in the money market determines interest rates, how the investment demand curve provides the link between changes in the money market and changes in aggregate demand, and how changes in aggregate demand affect the money market.

Examine the economic effects of government budget deficits, consider the issues involved in determining the burden of the national debt, and explore the relationships between deficits, interest rates, and inflation.

Come to an understanding of the impact of monetary and fiscal policies on the growth of the nation's economy.

Understand exchange rates and how the balance of payments are related to international finance and trade.

Discuss the effects of trade restrictions and how the international payments system hinders or facilitates trade.

## **COURSE OVERVIEW AND APPROXIMATE UNIT TIME ALLOTMENTS:**

	<b><u>WEEKS</u></b>
1. Basic Economic Concepts	1
A. Scarcity: the nature of economic systems	
B. Opportunity costs and production possibilities	
C. Specialization and comparative advantage: the basis for international trade	
D. The functions of any economic system (what, how, and for whom to produce)	

	<u>WEEKS</u>
E. Demand, supply, and price determination	
II. Measurement of Economic Performance	1
A. Gross national product, gross domestic product, and national income concepts	
B. Inflation and price indices	
C. Unemployment	
III. National Income and Price Determination	12
A. Aggregate supply	
1. Classical analysis	
2. Keynesian analysis	
3. Rational expectations	
B. Aggregate demand	
1. Circular flow	
2. Components of aggregate demand	
3. Multiplier	
4. Fiscal policy	
5. Monetary policy	
C. Money and banking	
6. Definition of money and its creation	
7. Tools of central bank policy	
D. Fiscal-monetary mix	
I Interaction of fiscal and monetary policies	
II Monetarist-Keynesian controversy	
III Deficits	
E. Trade-offs between inflation and unemployment	
1. Long run versus short run	
2. Supply shocks	
3. Role of expectations	
IV. Economic Growth	2
V. International Finance, Exchange Rates, and Balance of Payments	2
1. International trade and policy	
2. International finance, exchange rates, and balance of payments	
Total:	<u>18 weeks</u>

**DATE OF CONTENT REVISION:** NEW August 17, 2000

**DATE OF BOARD APPROVAL:** October 19, 2000

**Addendum**  
**THE CALIFORNIA CONTENT STANDARDS**  
**ECONOMICS**  
**GRADE 12**

**Principles of Economics**

**12.1 Students understand common economic terms and concepts and economic reasoning.**

1. Examine the causal relationship between scarcity and the need for choices.
2. Explain opportunity cost and marginal benefit and marginal cost.
3. Identify the difference between monetary and non-monetary incentives and how changes in incentives cause changes in behavior.
4. Evaluate the role of private property as an incentive in conserving and improving scarce resources, including renewable and nonrenewable natural resources.
5. Analyze the role of a market economy in establishing and preserving political and personal liberty (e.g., through the works of Adam Smith).

**12.2 Students analyze the elements of America's market economy in a global setting.**

1. Understand the relationship of the concept of incentives to the law of supply and the relationship of the concept of incentives and substitutes to the law of demand.
2. Discuss the effects of changes in supply and/or demand on the relative scarcity, price, and quantity of particular products.
3. Explain the roles of property rights, competition, and profit in a market economy.
4. Explain how prices reflect the relative scarcity of goods and services and perform the allocative function in a market economy.
5. Understand the process by which competition among buyers and sellers determines a market price.
6. Describe the effect of price controls on buyers and sellers.
7. Analyze how domestic and international competition in a market economy affects goods and services produced and the quality, quantity, and price of those products.
8. Explain the role of profit as the incentive to entrepreneurs in a market economy.
9. Describe the functions of the financial markets.
10. Discuss the economic principles that guide the location of agricultural production and industry and the spatial distribution of transportation and retail facilities.

**12.3 Students analyze the influence of the federal government on the American economy.**

1. Understand how the role of government in a market economy often includes providing for national defense, addressing environmental concerns, defining and enforcing property rights, attempting to make markets more competitive, and protecting consumers' rights.
2. Identify the factors that may cause the costs of government actions to outweigh the benefits.

3. Describe the aims of government fiscal policies (taxation, borrowing, spending) and their influence on production, employment, and price levels.
4. Understand the aims and tools of monetary policy and their influence on economic activity (e.g., the Federal Reserve).

**12.4 Students analyze the elements of the U.S. labor market in a global setting.**

1. Understand the operations of the labor market, including the circumstances surrounding the establishment of principal American labor unions, procedures that unions use to gain benefits for their members, the effects of unionization, the minimum wage, and unemployment insurance.
2. Describe the current economy and labor market, including the types of goods and services produced, the types of skills workers need, the effects of rapid technological change, and the impact of international competition.
3. Discuss wage differences among jobs and professions, using the laws of demand and supply and the concept of productivity.
4. Explain the effects of international mobility of capital and labor on the U.S. economy.

**12.5 Students analyze the aggregate economic behavior of the U.S. economy.**

1. Distinguish between nominal and real data.
2. Define, calculate, and explain the significance of an unemployment rate, the number of new jobs created monthly, an inflation or deflation rate, and a rate of economic growth.
3. Distinguish between short-term and long-term interest rates and explain their relative significance.

**12.6 Students analyze issues of international trade and explain how the U.S. economy affects, and is affected by, economic forces beyond the United States's borders.**

1. Identify the gains in consumption and production efficiency from trade, with emphasis on the main products and changing geographic patterns of twentieth-century trade among countries in the Western Hemisphere.
2. Compare the reasons for and the effects of trade restrictions during the Great Depression compared with present-day arguments among labor, business, and political leaders over the effects of free trade on the economic and social interests of various groups of Americans.
3. Understand the changing role of international political borders and territorial sovereignty in a global economy.
4. Explain foreign exchange, the manner in which exchange rates are determined, and the effects of the dollar's gaining (or losing) value relative to other currencies.

