

**Advanced Placement Course Audit  
Aventa Learning**

**Course:** AP Macroeconomics

**Part I: Course Explanation and Syllabus provide to students**

AP Macroeconomics is a one-semester course which focuses on the principles of economics that apply to an economic system as a whole. Particular emphasis is placed on the study of national income and price determination. After exploring some measures of economic performance, students will explore the economic problems of inflation and unemployment using Aggregate Supply and Aggregate Demand analysis. Students will evaluate the effectiveness of fiscal and monetary policies in curing economic problems. Further, the areas of international trade and international finance will be studied.

**Part II: Overview of all content units, assignments, and assessments**

Units	Tasks
Unit 1	<p>The first part of Chapter 2 stresses the economizing problem, which results because we have unlimited wants but limited resources. A discussion of full employment and efficiency follows. Both productive and allocative efficiency are defined and emphasized as desirable goals. The production possibilities curve model is introduced to illustrate these important concepts. Using this model, the concepts of opportunity costs and increasing opportunity costs, unemployment, growth, and present vs. future possibilities are all demonstrated. The chapter concludes by discussing how market and command economic systems differ, concentrating on who owns the factors of production and the method used to coordinate economic activity. The circular flow model is introduced to provide an overview of the way a market system operates.</p> <p>Chapter 6. This chapter introduces the basic principles underlying the global economy. The growth of world trade, and the United States' role in it, is examined first. The concept of comparative advantage is introduced as the basis for world trade followed by a discussion of foreign currencies and international exchange rates. Restrictive trade practices are examined, which leads to a discussion of multilateral trade agreements and free-trade regions of the globe. The chapter concludes with an update of how well U.S. firms are competing in an increasingly competitive global economy.</p> <p>Chapter 3 provides a basic, but rather detailed introduction to how markets operate as well as an introduction to demand and supply concepts. Both demand and supply are defined and illustrated; determinants of demand and supply are listed and explained. The concept of equilibrium and the effects of changes in demand and supply on equilibrium price and quantity are explained and illustrated. The chapter also includes brief discussions of supply and demand factors in resource markets and the importance of the ceteris paribus assumption.</p> <p><b>Discussions:</b> 1) Getting to know you; 2) South African AIDS medication</p> <p><b>Quizzes:</b> Supply and Demand, PPC, Circular Flow Model</p>

**Assignments:** Student workbook practice exercises, participate in a “live” online group discussion or review session.

Unit 2

Chapter 7 acquaints students with the basic language of macroeconomics and national income accounting. GDP is defined and explained. Then, the differences between the expenditure and income approaches to determining GDP are discussed and analyzed in terms of their component parts. The income and expenditure approaches are developed gradually from the basic expenditure-income identity, through tables and figures. Other measures of economic activity are defined and discussed, with special emphasis on using price indexes. The purpose and procedure of deflating and inflating nominal GDP are carefully explained and illustrated. Finally, the shortcomings of current GDP measurement techniques are examined. Global comparisons are made with respect to size of national GDP and size of the underground economy.

Chapter 8. This chapter previews economic growth, the business cycle, unemployment, and inflation. The record of growth in the U.S. is viewed from several perspectives including an international comparison in Global Perspective. The business cycle is introduced in historical perspective. In the section on unemployment, the various types of unemployment—frictional, structural, and cyclical—are described. Then the problems involved in measuring unemployment and in defining the full-employment unemployment rate are considered. The economic and noneconomic costs of unemployment are presented, and finally, Global Perspective gives an international comparison of unemployment rates. Inflation is specifically studied according to consumer implications. International comparisons of inflation rates in the post-1992 period are given in global perspective. Demand-pull and cost-push inflation are described. Considerable emphasis is placed on the fact that the redistributive effects of inflation will differ, depending on whether inflation is anticipated or unanticipated. The chapter ends with historical cases of extreme inflation to remind students that inflationary fears have some basis in fact.

**Discussions:** 1) Federal Reserve District reports (evaluating other districts).

**Quizzes:** GDP, expenditure, income, inflation, business cycle, demand-pull, cost-push

**Assignments:** Federal Reserve “Beige Book” Research assignment, participate in

	<p>a “live” online group discussion or review session. Unit 1 &amp; 2 Exam</p>
<p>Unit 3</p>	<p>Chapter 9. The central purpose of this chapter is to introduce three basic macroeconomic relationships that will help us organize our thinking about macroeconomic theories and controversies: First, the focus is on the income-consumption and income-saving relationships. Second, the relationship between the interest rate and investment is examined. Finally, the multiplier concept is developed, relating changes in spending to changes in output. Chapter 10 begins with the simple version of the AE model, that of a closed, private economy. Equilibrium GDP is determined and multiplier effects are briefly reviewed. The simplified “closed” economy is then “opened” to show how it would be affected by exports and imports. Government spending and taxes are brought into the model to include the “public” aspects of the system. Finally, the model is applied to two historical periods in order to consider some of the model’s deficiencies. The price level is assumed constant in this chapter unless stated otherwise, so the focus is on real GDP. Chapter 11 introduces the concepts of aggregate demand and aggregate supply, explaining the shapes of the aggregate demand and aggregate supply curves and the forces causing them to shift. The equilibrium levels of prices and real GDP are considered. Finally, the chapter analyzes the effects of shifts in the aggregate demand and/or aggregate supply curves on the price level and size of real GDP. This chapter (12) looks briefly at the legislative mandates given to government to pursue stabilization of the economy; it then explores the tools of government stabilization policy in terms of the aggregate demand-aggregate (AD-AS) model. Next, fiscal policy measures that automatically adjust government expenditures and tax revenues when the economy moves through the business cycle phases are examined. The recent use and resurgence of fiscal policy as a tool are discussed, as are problems, criticism, and complications of fiscal policy. Finally, the workings of fiscal policy in an open economy are addressed.</p> <p><b>Discussions:</b> 1) “How could a single company (Microsoft) affect GDP?”</p> <p><b>Quizzes:</b> Income consumption, income savings, GDP, multiplier effects, government stabilization attempts in light of the business cycle.</p> <p><b>Assignments:</b> Unit 3 Exam, participate in a “live” online group discussion or review session.</p>
<p>Unit 4</p>	<p>Chapter 13 introduces the student to the U.S. financial system. The chapter first covers the nature and functions of money and then discusses the Federal Reserve System’s definition of the money supply. Next, the chapter addresses the question of what “backs” money by looking at the value of money, money and prices, and the management of the money supply. The demand for money is then covered, and it is followed by an introduction and discussion of the money market. Finally, there is a rather comprehensive description of the U.S. financial system, which focuses on the features and functions of the Federal Reserve System and recent developments in the U.S. financial system. The central topic of Chapter 14 is the creation of checkable (demand) deposit money by commercial banks. First, a number of routine but significant introductory transactions are covered, followed by an assessment of the lending ability of a single commercial bank. Second, the lending ability and the money multiplier of the commercial banking system are</p>

traced through the balance statements of individual banks. The objectives and the mechanics of monetary policy are covered in Chapter 15. It is organized around seven major topics: (1) the balance sheet of the Federal Reserve Banks; (2) the techniques of monetary policy; (3) a graphic restatement of monetary policy; (4) the cause-effect chain of monetary policy; (5) a survey of the advantages and disadvantages of monetary policy; (6) the dilemma of which targets should be the goal of monetary policy, interest rates, or money supply; and (7) the impact of monetary policy operating in a world economy.

**Discussions:** 1) "US Dollar doesn't reign supreme any longer (but does it matter?)."

**Quizzes:** money, money supply, management of money supply, Fed, commercial banks, money multiplier, monetary policy.

**Assignments:** Unit 4 Exam, participate in a "live" online group discussion or review session.

Unit 5

This chapter (16) explains the difference between long-run and short-run aggregate supply; it examines the unemployment-inflation relationship and assesses the effect of taxes on aggregate supply. The discussion of Chapter 17 explores economic growth in more depth. The chapter questions whether the United States is achieving a "new economy" which might deliver a stronger future rate of growth. Chapter 18, students explore both positive and negative aspects of growth. Three interrelated topics of national concern—Federal budget deficits, surpluses, and the public debt—are the focus of this chapter. It begins by considering several contrasting budget philosophies. Statistical evidence that is useful in tracing the growth of the debt and assessing its current quantitative significance is covered. The chapter examines the Federal deficits of the 1990s, the large surpluses of the late 1990s and early 2000s, and how they quickly turned to deficits. The impending problems of the Social Security system are presented.

**Discussions:** 1) "Are Wars Good for the Economy?" Discussion Group

**Quizzes:** taxes, aggregate supply, future rates of growth, budget deficits

**Assignments:** Unit 5 Exam, participate in a "live" online group discussion or review session.

Unit 6

This chapter (20) builds on Chapter 6, providing more analysis of international trade and protectionism. First, it reviews important facts about world trade. Second, it examines how international specialization based on comparative advantage can mutually benefit participating nations. Third, supply and demand analysis is used to help students understand prices and quantities of imports and exports. Fourth, the economic impact of trade barriers is examined, followed by the arguments for protectionism. Finally, the chapter discusses the costs of protectionism and some continuing international trade controversies. This chapter (21) addresses several important aspects of international trade. The chapter begins with a brief discussion of how trade is financed. Next the balance of payments is explained and examined. Exchange rate systems and balance of payments adjustments under each system are then analyzed. The section concludes with a discussion of the advantages and disadvantages of each. The history of major policies is summarized, beginning with the gold standard, continuing through the Bretton Woods system, and concluding with the periods of managed float and of freely floating exchange rates. Finally, the chapter looks at

the trade deficits of recent years and examines the causes and effects of these deficits.

**Discussions:** 1) "When Good Trade Policies Go Bad" discussion group.

**Quizzes:** international trade, barriers, protectionism, imports, exports, balance of payments, exchange rates, trade deficits.

**Assignments:** Unit 6 Exam, participate in a "live" online group discussion or review session.

### Part III: Required Texts

*Macroeconomics, Principles, Problems, and Policies*, Campbell R. McConnell and Stanley L. Brue, McGraw-Hill Publishing Co., 16th edition, 2005. ISBN: 0-07298-272-1.

*Advanced Placement Economics: Macroeconomics: Student Activities*, John Morton. National Council on Economic Education. 3rd/2003 ISBN: 1-56183-567-6.

### Part IV: Other details required for audit

This course contains opportunities for student and instructor feedback. Examples of interaction are; graded assignments, quiz and exam results, individualized instruction, live group discussion, and live review sessions. The entire course is designed with maximizing student performance in preparation for the College Board AP Exams in the spring.

Curricular Requirements	Sample From Aventa's AP Macroeconomics Course
The course provides instruction in basic economic concepts.	<p><b>Unit 1</b>            Chapter 2, The Economizing Problem            Chapter 3, Individual Markets: demand and Supply            Chapter 6, The United States in the Global Economy            Topics:</p> <ul style="list-style-type: none"> <li>• The Foundation of Economics</li> <li>• Economics: Employment and Efficiency</li> <li>• Unemployment, Growth, and the Future</li> <li>• Economic Systems</li> <li>• The Circular Flow Model</li> <li>• Markets</li> <li>• Demand</li> <li>• Supply</li> <li>• Supply and Demand: Market Equilibrium</li> <li>• Application: Government-Set Prices</li> <li>• International Linkages</li> <li>• The United States and World Trade</li> <li>• Specialization and Comparative Advantage</li> </ul>

	<ul style="list-style-type: none"> <li>• The Foreign Exchange Market</li> <li>• Government and Trade</li> <li>• Multilateral Trade Agreements and Free-Trade Zones</li> <li>• Global Competition</li> </ul>
<p>The course provides instruction in measurements of economic performance.</p>	<p><b><u>Unit 2</u></b>  Chapter 7, Measuring Domestic Output and National Income  Chapter 8, Introduction to Economic Growth and Instability</p> <p>Topics:</p> <ul style="list-style-type: none"> <li>• Assessing the Economy's Performance</li> <li>• Gross Domestic Product</li> <li>• The Expenditures Approach</li> <li>• The Income Approach</li> <li>• Other National Accounts</li> <li>• Nominal GDP versus Real GDP</li> <li>• Shortcomings of GDP</li> <li>• Economic Growth</li> <li>• The Business Cycle</li> <li>• Unemployment</li> <li>• Inflation</li> <li>• Redistribution Effects of Inflation</li> <li>• Effects of Inflation on Output</li> </ul> <p><b><u>Unit 3</u></b>  Chapter 9, Basic Macroeconomic Relationships</p> <p>Topics:</p> <ul style="list-style-type: none"> <li>• The Income-Consumption and Income-Saving Relationships</li> <li>• The Real Interest-Rate-Investment Relationship</li> <li>• The Multiplier Effect</li> </ul>
<p>The course provides instruction in national income and price determination.</p>	<p><b><u>Unit 3</u></b>  Chapter 10, The Aggregate Expenditures Model  Chapter 11, Aggregate Demand and Aggregate Supply</p> <p>Topics:</p> <ul style="list-style-type: none"> <li>• Simplifications</li> <li>• Consumption and Investment Schedules</li> <li>• Equilibrium GDP: <math>C + I_g = GDP</math></li> <li>• Other Features of Equilibrium GDP</li> <li>• Changes in Equilibrium GDP and the Multiplier</li> <li>• Adding International Trade</li> <li>• Adding the Public Sector</li> <li>• Equilibrium versus Full-Employment GDP</li> <li>• Limitations of the Model</li> <li>• Aggregate Demand</li> <li>• Aggregate Supply</li> <li>• Equilibrium and Changes in Equilibrium</li> </ul>
<p>The course provides instruction in the financial sector.</p>	<p><b><u>Unit 4</u></b>  Chapter 13, Money and Banking  Chapter 14, How Banks and Thrifts Create Money  Chapter 15, Monetary Policy</p> <p>Topics:</p> <ul style="list-style-type: none"> <li>• The Functions of Money</li> </ul>

	<ul style="list-style-type: none"> <li>• The Supply of Money</li> <li>• What "Backs" the Money Supply?</li> <li>• The Demand for Money</li> <li>• The Money Market</li> <li>• The Federal Reserve and the Banking System</li> <li>• Recent Developments in Money and Banking</li> <li>• The Balance Sheet of a Commercial Bank</li> <li>• A single Commercial Bank</li> <li>• The Banking System: Multiple-Deposit Expansion</li> <li>• Consolidated Balance Sheet of the Federal Reserve Banks</li> <li>• Tools of Monetary Policy</li> <li>• Monetary Policy, Real GDP, and the Price Level</li> <li>• Monetary Policy in Action</li> </ul>
<p>The course provides instruction in inflation, unemployment, and stabilization policies.</p>	<p><b>Unit 5</b>  Chapter 18, Deficits, Surpluses, and the Public Debt  Chapter 19, Disputes over Macro Theory and Policy</p> <p>Topics:</p> <ul style="list-style-type: none"> <li>• Deficits, Surpluses, and Debt: Definitions</li> <li>• Budget Philosophies</li> <li>• The Public Debt: Facts and Figures</li> <li>• False Concerns</li> <li>• Substantive Issues</li> <li>• Deficits and Surpluses: 1992-2012</li> <li>• Some History: Classical Economics and Keynes</li> <li>• What Causes Macro Instability?</li> <li>• Does the Economy "Self-Correct"?</li> <li>• Rules or Discretion?</li> </ul>
<p>The course provides instruction in economic growth and productivity.</p>	<p><b>Unit 5</b>  Chapter 16, Extending the Analysis of Aggregate Supply  Chapter 17, Economic Growth</p> <p>Topics:</p> <ul style="list-style-type: none"> <li>• From Short Run to Long Run</li> <li>• Applying the Extended AD-AS Model</li> <li>• The Inflation-Unemployment Relationship</li> <li>• The Long-Run Phillips Curve</li> <li>• Taxation and Aggregate Supply</li> <li>• Ingredients of Growth</li> <li>• Production Possibilities Analysis</li> <li>• U.S. Economics Growth Rates</li> <li>• Accounting for Growth</li> <li>• The Productivity Acceleration: A New Economy?</li> <li>• Is growth Desirable and Sustainable?</li> </ul>
<p>The course provides instruction in the open economy (international trade and finance).</p>	<p><b>Unit 6</b>  Chapter 37, Labor Market Institutions and Issues: Unionism, Discrimination, Immigration  Chapter 38, Exchange Rates, the Balance of Payments, and Trade Deficits</p> <p>Topics:</p> <ul style="list-style-type: none"> <li>• Some Key Facts</li> <li>• The Economic Basis for Trade</li> <li>• Comparative Advantage: Graphical Analysis</li> <li>• Supply and Demand Analysis of Exports and Imports</li> <li>• Trade Barriers</li> </ul>

	<ul style="list-style-type: none"> <li>• The Case for Protection: A Critical Review</li> <li>• Financing International Trade</li> <li>• The Balance of Payments</li> <li>• Flexible Exchange Rates</li> <li>• Fixed Exchange Rate</li> <li>• International Exchange-Rate Systems</li> <li>• Recent U.S. Trade Deficits</li> </ul>
<p>The course promotes the understanding of aggregate economic activity; the utilization of resources within and across countries; and the critical evaluation of determinants of economic progress and economic decisions made by policy makers.</p>	<p><b><u>Unit 3</u></b> Chapter 12, Fiscal Policy</p> <p>Topics:</p> <ul style="list-style-type: none"> <li>• Legislative mandates</li> <li>• Fiscal Policy and the AD-AS Model</li> <li>• Built-In Stability</li> <li>• Evaluating Fiscal Policy</li> <li>• Problems, Criticisms, and Complications</li> </ul>
<p>The course teaches how to generate, interpret, label, and analyze graphs, charts, and data to describe and explain economic concepts.</p>	<p><b><u>All Units</u></b></p> <p>The Activities Forum is an assignment in every unit that requires students to draw and label graphs. Students practice this skill frequently in the course. Unit exams also require students to demonstrate their knowledge of analyzing graphs.</p>