

<i>Advanced Placement Macroeconomics</i>	
CURRICULUM/CONTENT AREA	COURSE LENGTH
<i>Social Studies</i>	<i>1 Term</i>
GRADE LEVEL	DATE LAST REVIEWED
<i>12</i>	AP Macro Economics 12/2016 2021
PREREQUISITE(s) if applicable	BOARD APPROVAL DATE
<i>N/A</i>	<i>July 13, 2021</i>
PRIMARY RESOURCE if applicable	
<p><i>McConnell, Brue, & Flynn (2018) Economics 18th Edition</i></p> <p><i>-and-</i></p> <p><i>The use of primary and secondary sources are built in each unit to support the priority standards</i></p> <p><i>-and-</i></p> <p><i>AP Classroom- the online platform designed to support teachers and students throughout their AP experience.</i></p>	
DESIRED RESULTS	
COURSE DESCRIPTION AND PURPOSE	
<p><i>This course prepares students to pass the Advanced Placement test in May in Macroeconomics and potentially earn college credit. Whereas AP Microeconomics focuses its attention on the small parts that make up the entire economy, Advanced Placement Macroeconomics focuses on analyzing the economy as a whole unit. Students will gain a thorough understanding of the problems, principles, theories, and solutions to our nation's economy. The emphasis in macroeconomics is on measuring national economic performance, such as unemployment, inflation, and gross domestic product, and analyzing solutions to these economic problems by applying monetary and fiscal policy. The student will explore and analyze the methods the government uses to improve our economy. In addition, the course will develop an understanding of international economic principles and applications.</i></p>	
BIG IDEAS	ESSENTIAL QUESTIONS
<i>serve as the foundation of the course and allow students to create meaningful connections among concepts.</i>	<i>are thought-provoking questions that motivate students and inspire inquiry.</i>

<p>Big Idea 1: Economic Measurements--Economists construct measurements to monitor the state of an economy and evaluate its performance over time. Governments, firms, and citizens often use these measurements to help inform policy, business, and personal decisions.</p>	<p>Why does scarce of resources cause individuals and societies to make choices?</p>
<p>Big Idea 2: Markets--Competitive markets bring together buyers and sellers to exchange goods and services for mutual gain. The simple model of supply–demand can be applied in different market contexts.</p>	<p>How do economists assess the performance of the economy using measures of economic performance and the business cycle?</p>
<p>Big Idea 3: Macroeconomic Models--Macroeconomic models are simplified representations that depict basic economic relationships and can be used to predict and explain how those relationships are affected by economic shocks.</p>	<p>How does the aggregate demand–aggregate supply model help economists to represent the impact of spending and production decisions, economic fluctuations, and policy actions on macroeconomic outcomes, including output, income, unemployment, and inflation?</p>
<p>Big Idea 4: Macroeconomic Policies--Government taxation and spending policies and central bank monetary policy can affect an economy’s output, price level, and level of employment, both in the short run and in the long run.</p>	<p>What are the macroeconomic effects of monetary policy?</p>
	<p>What are the long-run implications of policy actions and the concept of economic growth?</p>
	<p>How does a country with an open economy interacts with the rest of the world through both product and financial markets?</p>
<p>COURSE SKILLS <i>The AP Economics skills describe what a student should be able to do while exploring course concepts.</i></p>	
<p>Principles and Models--Define economic principles and models.</p>	<p>1.A I can describe economic concepts, principles, or models. 1.B I can identify an economic concept, principle, or model illustrated by an example. 1.C I can identify an economic concept, principle, or model using quantitative data or calculations. 1.D I can describe the similarities, differences, and limitations of economic concepts, principles, or models.</p>

<p>Interpretations--Explain given economic outcomes.</p>	<p>2.A I can use economic concepts, principles, or models, explain how a specific economic outcome occurs or what action should be taken in order to achieve a specific economic outcome.</p> <p>2.B I can use economic concepts, principles, or models, explain how a specific economic outcome occurs when there are multiple contributing variables or what multiple actions should be taken in order to achieve a specific economic outcome.</p> <p>2.C I can interpret a specific economic outcome using quantitative data or calculations.</p>
<p>Manipulation--Determine outcomes of specific economic situations.</p>	<p>3.A I can determine the outcome of an economic situation using economic concepts, principles, or models.</p> <p>3.B I can determine the effect(s) of one or more changes on other economic markets.</p> <p>3.C I can determine the effect(s) of a change in an economic situation using quantitative data or calculations.</p>
<p>Graphing and Visuals--Model economic situations using graphs or visual representations.</p>	<p>4.A I can draw an accurately labeled graph or visual to represent an economic model or market.</p> <p>4.B I can demonstrate your understanding of a specific economic situation on an accurately labeled graph or visual.</p> <p>4.C I can demonstrate the effect of a change in an economic situation on an accurately labeled graph or visual.</p>
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UNIT 1 Basic Economic Concepts	
BIG IDEA	ESSENTIAL QUESTION
BIG IDEA 2 Markets, BIG IDEA 3 Macroeconomic Models	Why does scarce of resources cause individuals and societies to make choices?
COURSE SKILLS FOR UNIT	
Principles and Models--Define economic principles and models.	1.A I can describe economic concepts, principles, or models. 1.C I can identify an economic concept, principle, or model using quantitative data or calculations.
Graphing and Visuals--Model economic situations using graphs or visual representations.	4.A I can draw an accurately labeled graph or visual to represent an economic model or market. 4.C I can demonstrate the effect of a change in an economic situation on an accurately labeled graph or visual.
ENDURING UNDERSTANDING	
<i>are the long-term takeaways related to the big ideas that leave a lasting impression on students.</i>	
The production possibilities curve (PPC) model is used to demonstrate the full employment level of output and to illustrate changes in full employment. Production and consumption increase by engaging in trade. In a competitive market, demand for and supply of a good or service determine the equilibrium price.	
LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
I CAN... Define scarcity and economic resources. Define (using graphs as appropriate) the PPC and related terms. Explain (using graphs as appropriate) how the PPC illustrates opportunity costs, tradeoffs, inefficiency, efficiency, and economic growth or contraction under various conditions. Calculate (using data from PPCs or tables as appropriate) opportunity cost. Define absolute advantage and comparative advantage. Determine (using data from PPCs or tables as appropriate) absolute and comparative advantage. Define (using graphs as appropriate) the law of demand. Explain (using graphs as appropriate) the relationship between the price of a good or service and the quantity demanded. Define (using graphs as appropriate) the law of supply. Explain (using graphs as appropriate) the relationship between the price of a good or service and the quantity supplied. Define (using graphs as appropriate) market equilibrium.	Individuals and societies are forced to make choices because most resources are scarce. The PPC is a model used to how the tradeoffs associated with allocating resources. The PPC can be used to illustrate the concepts of scarcity, opportunity cost, efficiency, underutilized resources, and economic growth or contraction. The shape of the PPC depends on whether opportunity costs are constant, increasing, or decreasing. The PPC can shift because of changes in factors of production as well as changes in productivity/technology. Economic growth results in an outward shift of the PPC. Absolute advantage describes a situation in which an individual, business, or country can produce more of a good or service than any other producer with the same quantity of resources. Comparative advantage describes a situation in which an individual, business, or country can produce a good or service at a lower opportunity cost than another producer. The law of demand states there is an inverse relationship between price and quantity demanded, leading to a downward-sloping demand curve. The law of demand states there is an inverse relationship between price and quantity demanded, leading to a downward-sloping demand curve. Equilibrium is achieved at the price at which quantities demanded and supplied are equal.
FORMATIVE ASSESSMENT TASK	SUMMATIVE ASSESSMENT TASKS
The following tasks use debates, real-world examples, modeling, response groups, simulations, and think-pair-shares.	Summative assessment tasks include College Board AP style exam questions (including free response questions and multiple choice questions).

<i>UNIT 2 Economic Indicators and the Business Cycle</i>	
BIG IDEA	ESSENTIAL QUESTION
BIG IDEA 1 Economic Measurements	How do economists assess the performance of the economy using measures of economic performance and the business cycle?
COURSE SKILLS FOR UNIT	
Principles and Models--Define economic principles and models.	1.A I can describe economic concepts, principles, or models. 1.B I can identify an economic concept, principle, or model illustrated by an example. 1.C I can identify an economic concept, principle, or model using quantitative data or calculations. 1.D I can describe the similarities, differences, and limitations of economic concepts, principles, or models.
Interpretations--Explain given economic outcomes.	2.C I can interpret a specific economic outcome using quantitative data or calculations.
Manipulation--Determine outcomes of specific economic situations.	3.A I can determine the outcome of an economic situation using economic concepts, principles, or models.
"ENDURING UNDERSTANDING	
<i>are the long-term takeaways related to the big ideas that leave a lasting impression on students."</i>	
An economy's performance can be measured by different indicators such as gross domestic product (GDP), the inflation rate, and the unemployment rate. The economy fluctuates between periods of expansion and contraction in the short run, but economic growth can occur in the long run.	
LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE

<p>I CAN...</p> <p>Define (using the circular flow diagram as appropriate) how GDP is measured and its components.</p> <p>Calculate nominal GDP.</p> <p>Define the limitations of GDP.</p> <p>Define the labor force, the unemployment rate, and the labor force participation rate.</p> <p>Explain how changes in employment and the labor market affect the unemployment rate and the labor force participation rate.</p> <p>Calculate the unemployment rate and the labor force participation rate.</p> <p>Define the types of unemployment and the natural rate of unemployment.</p> <p>Explain changes in the types of unemployment.</p> <p>Define the consumer price index (CPI), inflation, deflation, disinflation, the inflation rate, and real variables.</p> <p>Explain how price indices can be used to calculate the inflation rate and to compare nominal variables over time periods.</p> <p>Calculate the CPI, the inflation rate, and changes in real variables.</p> <p>Explain the costs that unexpected inflation (deflation) imposes on individuals and the economy.</p> <p>Define nominal GDP and real GDP.</p> <p>Define (using graphs and data as appropriate) turning points and phases of the business cycle.</p> <p>Explain (using graphs and data as appropriate) turning points and phases of the business cycle.</p>	<p>GDP is a measure of final output of the economy. GDP as a total flow of income and expenditure can be represented by the circular flow diagram. There are three ways of measuring GDP: the expenditures approach, the income approach, and the value-added approach. GDP is a useful indicator of a nation's economic performance, but it has some limitations, such as failing to account for nonmarket transactions. The unemployment rate is the percentage of the labor force that is out of work. The labor force participation rate is another measure of the labor market activity in an economy. The labor force participation rate is the percentage of the adult population that is in the labor force. Economists primarily focus on three types of unemployment: cyclical, frictional, and structural. The natural rate of unemployment is the unemployment rate that would exist when the economy produces full-employment real output. It is equal to the sum of frictional and structural unemployment. The deviation of the actual unemployment rate from the natural rate is cyclical unemployment. The natural rate of unemployment can gradually change over time because of such things as changes in labor force characteristics. The consumer price index (CPI) measures the change in income a consumer would need in order to maintain the same standard of living over time under a new set of prices as under the original set of prices. The CPI measures the cost of a fixed basket of goods and services in a given year relative to the base year. Unexpected inflation arbitrarily redistributes wealth from one group of individuals to another group, such as lenders to borrowers. Nominal GDP is a measure of how much is spent on output. Real GDP is a measure of how much is produced. Nominal GDP measures aggregate output using current prices. Real GDP measures aggregate output using constant prices, thus removing the effect of changes in the overall price level. Business cycles are fluctuations in aggregate output and employment because of changes in aggregate supply and/or aggregate demand. The phases of a business cycle are recession and expansion. The turning points of a business cycle are peak and trough. The difference between actual output and potential output is the output gap. Potential output is also called full-employment output. It is the level of GDP where unemployment is equal to the natural rate of unemployment.</p>
<p>FORMATIVE ASSESSMENT TASK</p>	<p>SUMMATIVE ASSESSMENT TASKS</p>
<p>The following tasks use debates, real-world examples, modeling, response groups, simulations, and think-pair-shares.</p>	<p>Summative assessment tasks include College Board AP style exam questions (including free response questions and multiple choice questions).</p>

<i>UNIT 3 National Income and Price Determination</i>	
BIG IDEA	ESSENTIAL QUESTION
BIG IDEA 3 Macroeconomic Models, BIG IDEA 4 Macroeconomic Policies	How does the aggregate demand–aggregate supply model help economists to represent the impact of spending and production decisions, economic fluctuations, and policy actions on macroeconomic outcomes, including output, income, unemployment, and inflation?
COURSE SKILLS FOR UNIT	
Principles and Models--Define economic principles and models.	1.A I can describe economic concepts, principles, or models.
Interpretations--Explain given economic outcomes.	2.A I can use economic concepts, principles, or models, explain how a specific economic outcome occurs or what action should be taken in order to achieve a specific economic outcome.
Manipulation--Determine outcomes of specific economic situations.	3.A I can determine the outcome of an economic situation using economic concepts, principles, or models. 3.C I can determine the effect(s) of a change in an economic situation using quantitative data or calculations.
Graphing and Visuals--Model economic situations using graphs or visual representations.	4.A I can draw an accurately labeled graph or visual to represent an economic model or market. 4.B I can demonstrate your understanding of a specific economic situation on an accurately labeled graph or visual. 4.C I can demonstrate the effect of a change in an economic situation on an accurately labeled graph or visual.
ENDURING UNDERSTANDING	
<i>are the long-term takeaways related to the big ideas that leave a lasting impression on students.</i>	
Economists use the aggregate demand–aggregate supply model to represent the relationship between the price level and aggregate output in an economy and to illustrate how output, employment, and the price level respond to macroeconomic shocks. Fiscal and monetary policy have short-run effects on macroeconomic outcomes.	
LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE

I CAN...

Define (using graphs as appropriate) the aggregate demand (AD) curve.

Explain (using graphs as appropriate) the slope of the AD curve and its determinants.

Define the expenditure multiplier, the tax multiplier, the marginal propensity to consume, and the marginal propensity to save.

Explain how changes in spending and taxes lead to changes in real GDP. Calculate how changes in spending and taxes lead to changes in real GDP.

Define (using graphs as appropriate) the short-run aggregate supply (SRAS) curve.

Explain (using graphs as appropriate) the slope of the SRAS curve and its determinants.

Define (using graphs as appropriate) the short run and the long run.

Explain (using graphs as appropriate) the short-run and long-run equilibrium price level and output level.

Explain (using graphs as appropriate) the response of output, employment, and the price level to an aggregate demand or aggregate supply shock in the short run.

Explain (using graphs as appropriate) the response of output, employment, and the price level to an aggregate demand or aggregate supply shock in the long run.

Define fiscal policy and related terms.

Explain (using graphs as appropriate) the short-run effects of a fiscal policy action.

Calculate the short-run effects of a fiscal policy action.

Define automatic stabilizers.

Explain how automatic stabilizers moderate business cycles.

The aggregate demand (AD) curve describes the relationship between the price level and the quantity of goods and services demanded by households (consumption), firms (investment), government (government spending), and the rest of the world (net exports).

The negative slope of the AD curve is explained by the real wealth effect, the interest rate effect, and the exchange rate effect. Any change in the components of aggregate demand (consumption, investment, government spending, or net exports) that is not due to changes in the price level leads to a shift of the AD curve. A \$1 change to autonomous expenditures leads to further changes in total expenditures and total output. The expenditure multiplier quantifies the size of the change in aggregate demand as a result of a change in any of the components of aggregate demand. The tax multiplier quantifies the size of the change in aggregate demand as a result of a change in taxes. The expenditure multiplier and tax multiplier depend on the marginal propensity to consume.

The marginal propensity to consume is the change in consumer spending divided by the change in disposable income. The sum of the marginal propensity to consume and marginal propensity to save is equal to one. The short-run aggregate supply (SRAS) curve describes the relationship between the price level and the quantity of goods and services supplied in an economy. The SRAS curve is upward-sloping because of sticky wages and prices. Any factor that causes production costs to change, such as a change in inflationary expectations, will cause the SRAS curve to shift. In the long run all prices and wages are fully flexible, while in the short run some input prices are fixed. A consequence of flexible long-run prices and wages is the lack of a long-run trade-off between inflation and unemployment. Short-run equilibrium occurs when the aggregate quantity of output demanded and the aggregate quantity of output supplied are equal—i.e., at the intersection of the AD and SRAS curves. Long-run equilibrium occurs when the AD and SRAS curves intersect on the LRAS—i.e., at the full-employment level of real output. The short-run equilibrium output can be at the full-employment level of output, above it, or below it, creating positive (i.e., inflationary) or negative (i.e., recessionary) output gaps. A positive (negative) shock in AD causes output, employment, and the price level to rise (fall) in the short run. A positive (negative) shock in SRAS causes output and employment to rise (fall) and the price level to fall (rise) in the short run. Inflation can be caused by changes in aggregate demand (demand-pull) or aggregate supply (cost-push). In the long run, in the absence of government policy actions, flexible wages and prices will adjust to restore full employment and unemployment will revert to its natural rate after a shock to aggregate demand or short-run aggregate supply. Shifts in the long-run aggregate supply curve indicate changes in the full-employment level of output and economic growth.

Governments implement fiscal policies to achieve macroeconomic goals, such as full employment. The tools of fiscal policy are government spending and taxes/transfers. Changes in government spending affect aggregate demand directly, and changes in taxes/transfers affect aggregate demand indirectly. The government spending multiplier is greater than the tax multiplier. Expansionary or contractionary fiscal policies are used to restore full employment when the economy is in a negative (i.e., recessionary) or positive (i.e., inflationary) output gap. Fiscal policy can influence aggregate demand, real output, and the price level. The AD-AS model is used to demonstrate the short-run effects of fiscal policy. Automatic stabilizers support the economy during recessions and help prevent the economy from being overheated during expansionary periods. Tax revenues decrease automatically as GDP falls, preventing consumption and the economy from falling further. Tax revenues increase automatically as GDP rises, slowing consumption

FORMATIVE ASSESSMENT TASK	SUMMATIVE ASSESSMENT TASKS
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UNIT 4 Financial Sector	
BIG IDEA	ESSENTIAL QUESTION
BIG IDEA 1 Economic Measurements, BIG IDEA 2 Markets, BIG IDEA 4 Macroeconomic Policies	What are the macroeconomic effects of monetary policy?
COURSE SKILLS FOR UNIT	
Principles and Models--Define economic principles and models.	1.A I can describe economic concepts, principles, or models. 1.B I can identify an economic concept, principle, or model illustrated by an example. 1.D I can describe the similarities, differences, and limitations of economic concepts, principles, or models.
Interpretations--Explain given economic outcomes.	2.A I can use economic concepts, principles, or models, explain how a specific economic outcome occurs or what action should be taken in order to achieve a specific economic outcome.
Manipulation--Determine outcomes of specific economic situations.	3.C I can determine the effect(s) of a change in an economic situation using quantitative data or calculations.
Graphing and Visuals--Model economic situations using graphs or visual representations.	4.A I can draw an accurately labeled graph or visual to represent an economic model or market. 4.C I can demonstrate the effect of a change in an economic situation on an accurately labeled graph or visual.
ENDURING UNDERSTANDING	
<i>are the long-term takeaways related to the big ideas that leave a lasting impression on students.</i>	
Money makes it possible to compare the value of goods and services, and interest rates provide a measure of the price of money that is borrowed or saved. The banking system plays an important role in the expansion of the money supply. In the money market, demand for and supply of money determine the equilibrium nominal interest rate and influence the value of other financial assets. Fiscal and monetary policy have short-run effects on macroeconomic outcomes. The interaction of borrowers, who demand loanable funds, and savers, who supply loanable funds, determines the equilibrium real interest rate.	
LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE

<p>I CAN...</p> <p>Define the principal attributes—liquidity, rate of return, and risk— associated with various classes of financial assets, including money.</p> <p>Explain the relationship between the price of previously issued bonds and interest rates.</p> <p>Define the nominal and real interest rate.</p> <p>Explain the relationship between changes in nominal interest rates, expected inflation, and real interest rates.</p> <p>Calculate the nominal and real interest rate.</p> <p>Define money and its functions.</p> <p>Calculate (using data as appropriate) measures of money.</p> <p>Define key terms related to the banking system and the expansion of the money supply.</p> <p>Explain how the banking system creates and expands the money supply.</p> <p>Calculate (using data and balance sheets as appropriate) the effects of changes in the banking system.</p> <p>Define (using graphs as appropriate) the money market, money demand, and money supply.</p> <p>Explain (using graphs as appropriate) the relationship between the nominal interest rate and the quantity of money demanded (supplied).</p> <p>Define monetary policy and related terms.</p> <p>Explain (using graphs as appropriate) the shortrun effects of a monetary policy action.</p> <p>Calculate (using data and balance sheets as appropriate) the effects of a monetary policy action.</p> <p>Define (using graphs as appropriate) the loanable funds market, demand for loanable funds, and supply of loanable funds.</p> <p>Explain (using graphs as appropriate) the relationship between the real interest rate and the quantity of loanable funds demanded (supplied).</p>	<p>The most liquid forms of money are cash and demand deposits. Other financial assets people can hold in place of the most liquid forms of money include bonds (interest-bearing assets) and stocks (equity). The price of previously issued bonds and interest rates on bonds are inversely related. The opportunity cost of holding money is the interest that could have been earned from holding other financial assets such as bonds. A nominal interest rate is the rate of interest paid for a loan, unadjusted for inflation. Lenders and borrowers establish nominal interest rates as the sum of their expected real interest rate and expected inflation. A real interest rate can be calculated in hindsight by subtracting the actual inflation rate from the nominal interest rate. Money is any asset that is accepted as a means of payment. Money serves as a medium of exchange, unit of account, and store of value. The money supply is measured using monetary aggregates designated as M1 and M2. The monetary base (often labeled as M0 or MB) includes currency in circulation and bank reserves. Depository institutions (such as commercial banks) organize their assets and liabilities on balance sheets. Depository institutions operate using fractional reserve banking. Banks' reserves are divided into required reserves and excess reserves. Excess reserves are the basis of expansion of the money supply by the banking system. The money multiplier is the ratio of the money supply to the monetary base. The size of expansion of the money supply depends on the money multiplier. The maximum value of the money multiplier can be calculated as the reciprocal of the required reserve ratio. The amount predicted by the simple money multiplier may be overstated because it does not take into account a bank's desire to hold excess reserves or the public holding more currency. The demand for money shows the inverse relationship between the nominal interest rate and the quantity of money people want to hold. Given a monetary base determined by a country's central bank, money supply is independent of the nominal interest rate. Central banks implement monetary policies to achieve macroeconomic goals, such as price stability. The tools of monetary policy include openmarket operations, the required reserve ratio, and the discount rate. The most frequently used monetary policy tool is openmarket operations. When the central bank conducts an openmarket purchase (sale), reserves increase (decrease), thereby increasing (decreasing) the monetary base. The effect of an open-market purchase (sale) on the money supply is greater than the effect on the monetary base because of the money multiplier. Many central banks carry out policy to hit a target range for an overnight interbank lending rate. (In the United States, this is the federal funds rate.) The loanable funds market describes the behavior of savers and borrowers. The demand for loanable funds shows the inverse relationship between real interest rates and the quantity demanded of loanable funds. The supply of loanable funds shows the positive relationship between real interest rates and the quantity supplied of loanable funds.</p>
<p>FORMATIVE ASSESSMENT TASK</p>	<p>SUMMATIVE ASSESSMENT TASKS</p>
<p>The following tasks use debates, real-world examples, modeling, response groups, simulations, and think-pair-shares.</p>	<p>Summative assessment tasks include College Board AP style exam questions (including free response questions and multiple choice questions).</p>

<i>UNIT 5 Long-Run Consequences of Stabilization Policies</i>	
BIG IDEA	ESSENTIAL QUESTION
BIG IDEA 1 Economic Measurements, BIG IDEA 3 Macroeconomic Models, BIG IDEA 4 Macroeconomic Policies	What are the long-run implications of policy actions and the concept of economic growth?
COURSE SKILLS FOR UNIT	
Interpretations--Explain given economic outcomes.	2.A I can use economic concepts, principles, or models, explain how a specific economic outcome occurs or what action should be taken in order to achieve a specific economic outcome. 2.B I can use economic concepts, principles, or models, explain how a specific economic outcome occurs when there are multiple contributing variables or what multiple actions should be taken in order to achieve a specific economic outcome.
Manipulation--Determine outcomes of specific economic situations.	3.A I can determine the outcome of an economic situation using economic concepts, principles, or models. 3.B I can determine the effect(s) of one or more changes on other economic markets.
Graphing and Visuals--Model economic situations using graphs or visual representations.	4.B I can demonstrate your understanding of a specific economic situation on an accurately labeled graph or visual.
ENDURING UNDERSTANDING	
<i>are the long-term takeaways related to the big ideas that leave a lasting impression on students.</i>	
Fiscal and monetary policy have short-run effects on macroeconomic outcomes. The Phillips curve model is used to represent the relationship between inflation and unemployment and to illustrate how macroeconomic shocks affect inflation and unemployment. There are long-run implications of monetary and fiscal policy. There are long-run implications of monetary and fiscal policy. The economy fluctuates between periods of expansion and contraction in the short run, but economic growth can occur in the long run. The production possibilities curve (PPC) model is used to demonstrate the full employment level of output and to illustrate changes in full employment. Authorities and organizations institute policies that affect economic growth.	
LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE

<p>I CAN...</p> <p>Explain (using graphs as appropriate) the effects of combined fiscal and monetary policy actions.</p> <p>Define (using graphs as appropriate) the short-run Phillips curve and the long-run Phillips curve.</p> <p>Explain (using graphs as appropriate) short-run and long-run equilibrium in the Phillips curve model.</p> <p>Explain (using graphs as appropriate) the response of unemployment and inflation in the short run and in the long run.</p> <p>Explain (using graphs as appropriate) how inflation is a monetary phenomenon.</p> <p>Define the quantity theory of money.</p> <p>Calculate the money supply, velocity, the price level, and real output using the quantity theory of money.</p> <p>Define the government budget surplus (deficit) and national debt.</p> <p>Explain the issues involved with the burden of the national debt.</p> <p>Define crowding out. Explain (using graphs as appropriate) how fiscal policy may cause crowding out.</p> <p>Define measures and determinants of economic growth.</p> <p>Explain (using graphs and data as appropriate) the determinants of economic growth.</p> <p>Calculate (using graphs and data as appropriate) per capita GDP and economic growth.</p> <p>Explain (using graphs as appropriate) public policies aimed at influencing long-run economic growth.</p> <p>Define supply-side fiscal policies.</p>	<p>A combination of expansionary or contractionary fiscal and monetary policies may be used to restore full employment when the economy is in a negative (i.e., recessionary) or positive (i.e., inflationary) output gap. A combination of fiscal and monetary policies can influence aggregate demand, real output, the price level, and interest rates. The short-run trade-off between inflation and unemployment can be illustrated by the downward-sloping short-run Phillips curve (SRPC). An economy is always operating somewhere along the SRPC. The long-run relationship between inflation and unemployment can be illustrated by the long-run Phillips curve (LRPC), which is vertical at the natural rate of unemployment. Long-run equilibrium corresponds to the intersection of the SRPC and the LRPC. Points to the left of long-run equilibrium represent inflationary gaps, while points to the right of long-run equilibrium represent recessionary gaps. Inflation (deflation) results from increasing (decreasing) the money supply at too rapid of a rate for a sustained period of time. When the economy is at full employment, changes in the money supply have no effect on real output in the long run. In the long run, the growth rate of the money supply determines the growth rate of the price level (inflation rate) according to the quantity theory of money. The government budget surplus (deficit) is the difference between tax revenues and government purchases plus transfer payments in a given year. A government adds to the national debt when it runs a budget deficit. A government must pay interest on its accumulated debt, thus increasing the national debt and increasingly forgoing using those funds for alternative uses. When a government is in budget deficit, it typically borrows to finance its spending. A loanable funds market model can be used to show the effect of government borrowing on the equilibrium real interest rate and the resulting crowding out of private investment. Crowding out refers to the adverse effect of increased government borrowing, which leads to decreased levels of interest-sensitive private sector spending in the short run. A potential long-run impact of crowding out is a lower rate of physical capital accumulation and less economic growth as a result. Public policies that impact productivity and labor force participation affect real GDP per capita and economic growth. Government policies that invest in infrastructure and technology affect growth. Supply-side fiscal policies affect aggregate demand, aggregate supply, and potential output in the short run and long run by influencing incentives that affect household and business economic behavior.</p>
<p>FORMATIVE ASSESSMENT TASK</p>	<p>SUMMATIVE ASSESSMENT TASKS</p>
<p>The following tasks use debates, real-world examples, modeling, response groups, simulations, and think-pair-shares.</p>	<p>Summative assessment tasks include College Board AP style exam questions (including free response questions and multiple choice questions).</p>

<i>UNIT 6 Open Economy—International Trade and Finance</i>	
BIG IDEA	ESSENTIAL QUESTION
BIG IDEA 1 Economic Measurements BIG IDEA 2 Markets	How does a country with an open economy interact with the rest of the world through both product and financial markets?
COURSE SKILLS FOR UNIT	
Principles and Models--Define economic principles and models.	1.A I can describe economic concepts, principles, or models. 1.C I can identify an economic concept, principle, or model using quantitative data or calculations.
Manipulation--Determine outcomes of specific economic situations.	3.A I can determine the outcome of an economic situation using economic concepts, principles, or models. 3.B I can determine the effect(s) of one or more changes on other economic markets.
Graphing and Visuals--Model economic situations using graphs or visual representations.	4.A I can draw an accurately labeled graph or visual to represent an economic model or market. 4.C I can demonstrate the effect of a change in an economic situation on an accurately labeled graph or visual.
ENDURING UNDERSTANDING	
<i>are the long-term takeaways related to the big ideas that leave a lasting impression on students.</i>	
Foreign trade accounting measures the flow of goods, services, and financial capital between countries. The interaction of buyers and sellers exchanging the currency of one country for the currency of another determines the equilibrium exchange rate in a flexible exchange market and influences the flow of goods, services, and financial capital between countries.	
LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE

<p>I CAN...</p> <p>Define the current account (CA), the capital and financial account (CFA), and the balance of payments (BOP).</p> <p>Explain how changes in the components of the CA and CFA affect a country's BOP.</p> <p>Calculate the CA, the CFA, and the BOP.</p> <p>Define the exchange rate, currency appreciation, and currency depreciation.</p> <p>Explain how currencies are valued relative to one another.</p> <p>Calculate the value of one currency relative to another. Define the foreign exchange market, demand for currency, and supply of currency.</p> <p>Explain (using graphs as appropriate) the relationship between the exchange rate and the quantity of currency demanded (supplied).</p> <p>Explain (using graphs as appropriate) the determinants of currency demand and supply.</p> <p>Explain (using graphs as appropriate) how changes in demand and supply in the foreign exchange market affect the equilibrium exchange rate.</p> <p>Explain (using graphs as appropriate) how changes in the value of a currency can lead to changes in a country's net exports and aggregate demand.</p> <p>Explain (using graphs as appropriate) how differences in real interest rates across countries affect financial capital flows, foreign exchange markets, and loanable funds markets.</p>	<p>The current account (CA) records net exports, net income from abroad, and net unilateral transfers. The CA is not always balanced; it may show a surplus or a deficit. A nation's balance of trade (i.e., net exports) is part of the current account and may also show a surplus or a deficit. The capital and financial account (CFA) records financial capital transfers and purchases and sales of assets between countries. The CFA is not always balanced; it may show a surplus (financial capital inflow) or a deficit (financial capital outflow). The balance of payments (BOP) is an accounting system that records a country's international transactions for a particular time period. It consists of the CA and the CFA. Any transaction that causes money to flow into a country is a credit to its BOP account, and any transaction that causes money to flow out is a debit. The sum of all credit entries should match the sum of all debit entries ($CA+CFA=0$). In the foreign exchange market, one currency is exchanged for another; the price of one currency in terms of the other is the exchange rate. If one currency becomes more valuable in terms of the other, it is said to appreciate. If one currency becomes less valuable in terms of the other, it is said to depreciate. The demand for a currency in a foreign exchange market arises from the demand for the country's goods, services, and financial assets and shows the inverse relationship between the exchange rate and the quantity demanded of a currency. The supply of a currency in a foreign exchange market arises from making payments in other currencies and shows the positive relationship between the exchange rate and the quantity supplied of a currency. Factors that shift the demand for a currency (such as the demand for that country's goods, services, or assets) and the supply of a currency (such as tariffs or quotas on the other country's goods and services) change the equilibrium exchange rate. Fiscal policy can influence aggregate demand, real output, the price level, and exchange rates. Monetary policy can influence aggregate demand, real output, the price level, and interest rates, and thereby affect exchange rates. Factors that cause a currency to appreciate cause that country's exports to decrease and its imports to increase. As a result, net exports will decrease. Factors that cause a currency to depreciate cause that country's exports to increase and its imports to decrease. As a result, net exports will increase. In an open economy, differences in real interest rates across countries change the relative values of domestic and foreign assets. Financial capital will flow toward the country with the relatively higher interest rate. Central banks can influence the domestic interest rate in the short run, which in turn will affect net capital inflows.</p>
<p>FORMATIVE ASSESSMENT TASK</p>	<p>SUMMATIVE ASSESSMENT TASKS</p>
<p>The following tasks use debates, real-world examples, modeling, response groups, simulations, and think-pair-shares.</p>	<p>Summative assessment tasks include College Board AP style exam questions (including free response questions and multiple choice questions).</p>