Advanced Placement Elective for History and Social Science: A.P. Economics

A.P. Economics Curriculum (Micro- and Macro-) for Loudoun County Public Schools

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This curriculum document for AP Economics is organized to help teachers plan and carry out their instruction conceptually, so that students can see patterns and connections among and between ideas and points of information. In this document, each unit’s learning outcomes or objectives are listed first, followed by a conceptual mind map connecting the content. Following the mind map in each unit is a more linear and traditional textual outline with references to points of content that students must learn in AP Economics. Each section of the unit outline is framed by important conceptual questions that serve as a foundation for the teaching and learning of that section. All conceptual questions appear in the “Objectives” section and are italicized.

There are eight units per semester in this A.P. curriculum. SOL connections—to the NEW “ECONOMICS” VIRGINIA GRADUATION REQUIREMENT—are listed in red on the “Objectives” page for all units, and also appear in the branches of the mind maps. TWO IMPORTANT NOTES, HOWEVER: 1. The “Personal Finance” SOLs that form part of the new Virginia graduation requirement are NOT included in this curriculum; and 2. If a student wishes this AP Economics course to satisfy the Virginia requirement for “Economics,” he/she MUST take BOTH semesters of the course—Micro and Macro.

For this AP course in Loudoun County, students are expected to sit for two AP Exams—one for Micro-Economics and one for Macro-Economics. County-wide, Micro will be taught first semester, and Macro will be taught during the second semester. Students will not receive a weighted grade for this year-long course unless they sit for both exams in May.

We hope teachers find that the economic concepts contained and explained in this document serve as a productive mental framework for students and for themselves. This instructional layout and approach offers cognitive structures that are essential to the solid comprehension of our curriculum content.

Special thanks to Patti Coggins for her work on this document. Ashburn, Virginia
At the end of this unit, students will be able to:

1. Articulate a definition for the Science of “Economics.”
2. Explain the difference between Macro-Economics and Micro-Economics.
3. Articulate in writing the three main economic questions.
4. Understand and be prepared to apply the nine principles of economic thinking as they move through the course.
5. Explain the purpose of thinking economically.
A. WHAT IS ECONOMICS?

A.1 MACRO-ECONOMICS
   A.1.1 Positive
   A.1.2 Normative

A.2 MICRO-ECONOMICS
   A.2.1 Positive
   A.2.2 Normative

B. NINE PRINCIPLES OF ECONOMIC THINKING

B.1 EVERYTHING HAS A COST
B.2 PEOPLE CHOOSE FOR GOOD REASONS
B.3 INCENTIVES MATTER
B.4 ECONOMIC ACTIONS CARRY SECONDARY EFFECTS
B.5 PEOPLE GAIN FROM VOLUNTARY TRADE
B.6 ECONOMIC THINKING IS MARGINAL THINKING
B.7 THE PRICE OF A GOOD OR SERVICE IS AFFECTED BY PEOPLE'S CHOICES
B.8 PEOPLE CREATE ECONOMIC SYSTEMS TO INFLUENCE CHOICES AND INCENTIVES
B.9 THE TEST OF A THEORY IS ITS ABILITY TO PREDICT
C. THREE ECONOMIC QUESTIONS

C.1 WHAT SHOULD BE PRODUCED?

C.2 FOR WHOM SHOULD IT BE PRODUCED?

C.3 HOW SHOULD IT BE PRODUCED?
At the end of this unit, students will be able to:

1. *Describe how consumers, businesses, and government decision makers face scarcity of resources and must make trade-offs and incur opportunity costs.* *(Includes EPF.1a)*
2. Explain that *choices* often have long term *unintended consequences.* *(Includes EPF.1b)*
3. *Describe how* effective decision making requires comparing the *marginal costs and marginal benefits.* *(Includes EPF.1c)*
4. Distinguish between *positive and normative economics.*
5. Articulate what is meant by *absolute* and *comparative advantage.*
A. SCARCITY 1A,B,C

A.1 CHOICES
   A.1.1 Trade-offs
   A.1.2 Opportunity Cost
   A.1.3 Consequences
      a. intended
      b. Unintended
   A.1.4 Marginal costs v. Marginal benefits

B. ADVANTAGE

B.1 ABSOLUTE

B.2 COMPARATIVE

C. POSITIVE AND NORMATIVE ECONOMICS
At the end of this unit, students will be able to:

1. Answer the question, “How does supply and demand create a market?"
2. List the determinants of demand and supply. (Includes EPF.2a,3a)
3. Identify which factors will cause demand curves or supply curves to shift. (Includes EPF.2h)
4. Distinguish between changes in quantity demanded and a change in demand.
5. Distinguish between changes in quantity supplied and a change in supply.
6. Determine equilibrium using a demand/supply graph and show the effect on price and quantity when equilibrium changes.
7. Distinguish between a normal and an inferior good.
8. Explain the difference between a substitute and a complementary good.
9. Predict the effect of an effective price ceiling or floor in a market. (Includes EPF.3b,d)
10. Calculate elasticity using the midpoint formula. (Includes EPF.3c)
11. Use demand and supply graphs to show the effect of difference in elasticity.
12. Articulate which principles of economic thinking have been addressed by the material learned in this unit.
A. PRICE ELASTICITY 3C

A.1 DEMAND
   A.1.1 Determinants
   A.1.2 Formula
   A.1.3 Total Revenue Test
   A.1.4 Income Elasticity of Demand
   A.1.5 Cross Elasticity of Demand
   A.1.6 Applications

A.2 SUPPLY
   A.2.1 Long and short run
   A.2.2 Market period
   A.2.3 Applications

B. MARKET EQUILIBRIUM

C. DETERMINANTS OF DEMAND AND SUPPLY 3A
D. GOVERNMENT PRICE CONTROLS 3B, D

D.1 PRICE CEILINGS

D.2 PRICE FLOORS

E. IMPACT OF TAXES ON MARKETS

E.1 TAXES AND CHANGES IN OUTPUT

E.2 ELASTICITY AND INCIDENCE OF TAXES

F. MARKET EFFICIENCY

F.1 CONSUMER SURPLUS/SHORTAGES

F.2 PRODUCER SURPLUS/SHORTAGES

F.3 TAXES AND DEADWEIGHT LOSS

G. CIRCULAR FLOW OF ECONOMIC ACTIVITY IN A PRODUCT MARKET
At the end of this unit, students will be able to:

1. Answer the question “How do consumers drive market decisions?”
2. Describe how effective decision making requires comparing the marginal costs and marginal benefits. (Includes EPF.1c)
3. Describe how consumers, workers, savers, investors and citizens respond to incentives. (Includes EPF.2a)
4. Explain how businesses respond to consumer sovereignty. (Includes EPF.2b)
5. Define the law of diminishing marginal utility.
6. Use the income effect and substitution effect to explain the down-sloping demand curve. (Includes EPF.4d)
7. Apply the utility-maximizing rule.
8. Given a demand/supply graph, students can indentify/calculate the area of consumer/producer surplus.
9. Articulate which principles of economic thinking have been addressed by the material learned in this unit.
A. DIMINISHING MARGINAL UTILITY AND DEMAND 1C

B. UTILITY MAXIMIZATION

C. TOTAL UTILITY AND MARGINAL UTILITY

D. INCOME EFFECT, SUBSTITUTION EFFECT AND DEMAND 4D

E. IMPACT IN DIFFERENT MARKET STRUCTURES 2B

E.1 CONSUMER SOVEREIGNTY

F. IMPACT OF INCENTIVES 2A

G. ROLE OF THE ENTREPRENEUR 2C
At the end of this unit, students will be able to:

1. *Answer the question* “How do producers compare revenues and costs for the greatest economic efficiency?”
2. Identify factors of production. (Includes EPF.1d)
3. Use a *circular flow diagram* to model a market. (Includes EPF.2j)
4. Distinguish economic profit from *accounting profit*.
5. Make a distinction between the *short run* and the *long run*.
6. Define the *law of diminishing marginal returns*.
7. Identify per unit cost when given total costs and output; identify total costs when given per unit costs output.
8. Articulate which principles of economic thinking have been addressed by the material learned in this unit.
A. COSTS OF PRODUCTION

A.1 ECONOMIC COSTS
A.2 IMPLICIT COSTS VERSUS EXPLICIT COSTS
A.3 NORMAL PROFIT

B. PRODUCTION FUNCTIONS

C. FIXED AND VARIABLE COSTS

D. AVERAGE COSTS

E. MARGINAL COSTS

F. SHORT-RUN COSTS
G. LONG-RUN COSTS

H. FACTORS OF PRODUCTION 1D

I. CIRCULAR FLOW 2J
At the end of this unit, students will be able to:

1. Answer the question, “Which of the four basic models of market structure do you feel is the most efficient and why?”
2. Identify the key characteristics of the different types of market structure.
3. Theorize about Adam Smith’s contribution to the foundational ideas of a free market economy. (Includes EPF.1f)
4. Use the profit-maximizing rule (MR = MC) to determine output price for firms in the different types of market structures.
5. Determine short-run and long-run profit in the different types of market structures.
6. In words, and using graphical analysis, show the short-run and the long-run equilibria of the purely competitive firm.
7. In words, and using graphical analysis, show the profit scenario of a single price monopolist and a perfectly price discriminating monopolist. (Includes EPF.2i)
8. Identify the government policies employed when a firm exercises monopoly power or is a natural monopoly.
9. In words and using graphical analysis, show the equilibrium of the monopolistically competitive firm in the short run and the long run.
10. Predict the behavior of oligopolistic firms using game theory and profit matrices.
11. Articulate which principles of economic thinking have been addressed by the material learned in this unit.
A. COMPETITIVE MARKETS 1F

A.1 CHARACTERISTICS
A.2 OUTPUT DECISIONS
A.3 PROFIT MAXIMIZATION
A.4 SHORT-RUN SUPPLY (FIRM)
A.5 SHORT-RUN SHUT-DOWN DECISIONS
A.6 LONG-RUN ENTER OR EXIT MARKET DECISIONS
A.7 GRAPHING SHORT-RUN FIRM AND MARKET IN SITUATIONS OF ECONOMIC PROFITS OR LOSSES
A.8 GRAPHING LONG-RUN ZERO PROFIT CONDITIONS, EFFICIENCY

B. MONOPOLIES

B.1 CHARACTERISTICS
B.2 TYPES OF MONOPOLIES
   B.2.1 Government Created
   B.2.2 Monopoly Resources
   B.2.3 Natural Monopoly
B.3 MARGINAL REVENUE IN A MONOPOLY
B.4 PRICING AND OUTPUT DECISIONS, PROFIT MAXIMIZATION
B.5 WELFARE COSTS OF A MONOPOLY, INEffeCIENCY
C. OLIGOPOLY

C.1 CHARACTERISTICS
   C.1.1 Interdependence
   C.1.2 Collusion, Cartels

C.2 DECISION MAKING IN OLIGOPOLIES
   C.2.1 Duopoly
   C.2.2 Game Theory
   C.2.3 Nash Equilibrium

C.3 PUBLIC POLICY AND OLIGOPOLIES, ANTITRUST LEGISLATION

D. MONOPOLISTIC COMPETITION 2I

D.1 CHARACTERISTICS

D.2 PRODUCT DIFFERENTIATION

D.3 PRICING AND OUTPUT DECISIONS, PROFIT MAXIMIZATION

D.4 LONG-RUN EQUILIBRIUM AND EXCESS CAPACITY

D.5 ADVERTISING
At the end of this unit, students will be able to:

1. *Answer the question, “How does the pricing and employment of resources impact the economy?”*
2. Illustrate the **circular flow of economic activity** in a factor market. *(Includes EPF.2j)*
3. Compare the costs and benefits of different forms of business organizations, **including sole proprietorships, partnerships, corporations, franchises and cooperatives and entrepreneurship.** *(Includes EPT.2d)*
4. Examine the market value of a worker’s skills and knowledge. *(Includes EPF. 4a)*
5. Identify the role of an entrepreneur in a market economy. *(Includes EPF.2c)*
6. Define **derived demand.**
7. Use a graph or a firm’s production schedule (function) and a market wage, to determine the quantity of labor a **profit-maximizing firm** would hire in a perfectly competitive labor market. *(Includes EPF.2e,f)*
8. Use a graph or a firm’s production schedule (function) to determine the market wage and the quantity of labor a profit-maximizing firm would hire in an imperfectly competitive labor market. *(Includes EPF.2e, f)*
9. Use a graph, to identify/calculate the area of consumer surplus/producer surplus when government imposes a tariff.
10. Use a graph to identify the incidence of a tax on buyers and sellers and the **deadweight loss.**
11. Articulate which principles of economic thinking have been addressed by the material learned in this unit.
A. DETERMINANTS OF THE DEMAND FOR LABOR

B. DETERMINANTS OF LABOR SUPPLY

C. THE VALUE OF MARGINAL PRODUCT

D. PRODUCTION AND DEMAND FOR RESOURCES

E. PRODUCTIVITY AND WAGES 4A

F. MARKETS FOR LAND AND CAPITAL

G. MINIMIZING INPUT COSTS
H. CIRCULAR FLOW 2J

I. BUSINESS ORGANIZATION 2C,D

I.1 SOLE PROPRIETORSHIP
I.2 PARTNERSHIP
I.3 CORPORATION
I.4 FRANCHISE
I.5 COOPERATIVE
I.6 ENTREPRENEURSHIP
At the end of this unit, students will be able to:

1. Answer the question, “Does government intervention in the economy indicate market failure?”
2. List the economic functions of government. (Includes EPF.8a,b,c,d,e)
3. Define a good.
4. Identify goods and services provided by the government to benefit society. (Includes EPF.8a)
5. Provide examples of government regulation of the market. (Includes EPF.8c)
6. Discuss and articulate the free rider problem.
7. Discuss the purpose of income and payroll taxes and their impact on the economy. (Includes EPF.8e)
8. Indentify and give examples of each of the major sources of market failure.
9. Indentify the possible remedies that government may try in each of the cases of market failure in order to achieve an optimal allocation of resources.
10. Identify which U.S. economic goals are being addressed in the material learned in this unit.
UNIT V. MARKET FAILURE AND THE ROLE OF GOVERNMENT

- Benefits Principle
- Ability to Pay Principal
- Tax Incidence
- Taxes and Equity 8d
- Taxes and Efficiency 8c
- Significance of Property Rights
- Common Resources and "Tragedy of the Commons"
- Private Goods
- MSB = MSC
- Negative Production Externalities
- Positive Production Externalities
- Negative Consumption Externalities
- Positive Production Externalities
- Private Solutions
- Public Policy Responses
- Measuring Inequality
- Political Views of Income Distribution
- Public Goods 8a,b
- Income Distribution 8d
A. EXTERNALITIES

A.1 NEGATIVE PRODUCTION EXTERNALITIES
A.2 POSITIVE PRODUCTION EXTERNALITIES
A.3 NEGATIVE CONSUMPTION EXTERNALITIES
A.4 POSITIVE PRODUCTION EXTERNALITIES
A.5 PRIVATE SOLUTIONS
A.6 PUBLIC POLICY RESPONSES

B. PUBLIC GOODS 8A,B

C. INCOME DISTRIBUTION 8D

C.1 MEASURING INEQUALITY
C.2 POLITICAL VIEWS OF INCOME DISTRIBUTION

D. MSB = MSC

E. PRIVATE GOODS
F. COMMON RESOURCES AND "TRAGEDY OF THE COMMONS"

G. SIGNIFICANCE OF PROPERTY RIGHTS

H. TAXES AND EFFICIENCY 8C

I. TAXES AND EQUITY 8D

I.1 BENEFITS PRINCIPLE

I.2 ABILITY TO PAY PRINCIPAL

I.3 TAX INCIDENCE
At the end of this unit, students will be able to:

1. Answer the question “What is the Science of “Economics?”
2. Explain the difference between Macro-Economics and Micro-Economics.
3. Articulate in writing the three main economic questions.
4. Understand and be prepared to apply the nine principles of economic thinking as they move through the course.
5. Explain the purpose of thinking economically.
UNIT I: “ECONOMICS”

What is Economics - Scarcity

Nine principles of Economic Thinking

1. Everything has a cost
2. People choose for good reasons
3. Incentives matter
4. Economic actions carry secondary effects
5. People gain from voluntary trade
6. Economic thinking is marginal thinking
7. The price of a good and service is affected by peoples' choices
8. People create economic systems to influence choices and incentives
9. The test of a theory is its ability to predict

Three Economic Questions
1. What should be produced?
2. For whom should it be produced?
3. How should it be produced?
A. WHAT IS ECONOMICS – SCARCITY

A.1 MACRO-ECONOMICS
   A.1.1 Positive
   A.1.2 Normative

A.2 MICRO-ECONOMICS
   A.2.1 Positive
   A.2.2 Normative

A.3 NINE PRINCIPLES OF ECONOMIC THINKING
   A.3.1 Everything has a cost
   A.3.2 People choose for good reasons
   A.3.3 Incentives matter
   A.3.4 Economic actions carry secondary effects
   A.3.5 People gain from voluntary trade
   A.3.6 Economic thinking is marginal thinking
   A.3.7 The price of a good and service is affected by peoples' choices
   A.3.8 People create economic systems to influence choices and incentives
   A.3.9 The test of a theory is its ability to predict

A.4 THREE ECONOMIC QUESTIONS
   A.4.1 What should be produced?
   A.4.2 For whom should it be produced
A.4.3 How should it be produced?
At the end of this unit, students will be able to:

1. Answer the question, “Why is marginal thinking the basis of all economic decisions?”
2. Distinguish between opportunity cost, scarcity and tradeoffs. (Includes EPF.1a)
4. Use a production possibilities curve to demonstrate opportunity cost and growth.
5. List the determinants of demand and supply. (Includes EPF.3a)
6. Explain which factors will cause demand curves or supply curves to shift.
7. Distinguish between changes in quantity demanded and a change in demand.
8. Distinguish between changes in quantity supplied and a change in supply.
9. Determine effects on price and quantity when equilibrium changes. (Includes EPF.3b)
A. SCARCITY 1A,E  3A,B

A.1 MARKET/MIXED ECONOMY

A.1.1 Opportunity Cost
   a. Production possibilities

A.1.2 Tradeoffs

A.1.3 Supply and Demand
   a. Factors in shifts of curves
   b. Quantity demanded v. Change in demand
   c. Quantity supplied v. Change in supply
   d. Equilibrium price

A.2 COMMAND ECONOMY

A.3 TRADITIONAL ECONOMY
At the end of this unit, students will be able to:

1. Answer the question, “What is the purpose of measuring a country’s economic performance and what are the tools economists use to do so?
2. Describe the macroeconomic performance of the U.S. and other countries – GDP, inflation, unemployment and other indicators. (Includes EPF.5a,b)
3. Explain GDP by expenditure and income approaches.
4. Distinguish between nominal GDP and real GDP.
5. Explain the limitations of GDP measures.
6. Define unemployment; list sources and types.
7. Explain the labor-force participation rate.
8. Explain the full-employment level of GDP.
9. Distinguish between actual and potential GDP.
10. Explain the calculation of price indices-GDP deflator, consumer price index (CPI), and producer price index (PPI).
11. Use price indices to calculate real wages and real interest rates.
12. Articulate which principles of economic thinking have been addressed by the material learned in this unit.
UNIT III: MEASUREMENT OF ECONOMIC PERFORMANCE

Unit II Measurement of Economic Performance

- National Income Accounts 5a
  - Circular Flow
  - Components of Gross Domestic Product
    - Real vs. Nominal Gross Domestic Product
- Unemployment 5a
  - Definition and measurement
  - Types of Unemployment
  - Natural Rate of Unemployment
- Inflation 5b
  - Price Indices
    - Nominal and Real Values
  - Costs of Inflation
A. NATIONAL INCOME ACCOUNTS 5A

A.1 CIRCULAR FLOW

A.2 GROSS DOMESTIC PRODUCT
   A.2.1 Components of Gross Domestic Product
   A.2.2 Real vs. Nominal Gross Domestic Product

B. INFLATION 5B

B.1 PRICE INDICES

B.2 NOMINAL AND REAL VALUES

B.3 COSTS OF INFLATION

C. UNEMPLOYMENT 5A

C.1 DEFINITION AND MEASUREMENT

C.2 TYPES OF UNEMPLOYMENT

C.3 NATURAL RATE OF UNEMPLOYMENT
At the end of this unit, students will be able to:

1. Answer the question, “What is the daily impact of fiscal and monetary policy on our lives?”
2. Explain the difference between fiscal and monetary policy. (Includes EPF.6a,b 7a,c)
3. Compare and contrast nondiscretionary and discretionary fiscal policy.
4. Using AD/AS analysis, show the effect on price level and real RGDP of changes in fiscal policy.
5. Define and list factors influencing money demand.
6. Define money supply and other financial assets.
7. Apply the time value of money in a real life example that is relevant to students.
8. Explain a fractional banking system.
9. Explain the purpose of the Federal Reserve System in the economy.
10. Identify and analyze the tools of central bank policy and their impact on money supply and interest rates.
11. Describe the process of money creation and multiple-deposit expansion.
12. Given data, determine the size of the money multiplier and assess its impact on the money supply.
13. Compare nominal and real interest.
14. Explain the quantity theory of money.
15. Assess the effect of fiscal and monetary policy on real output, price level, and the level of employment in the long run and the short run.
16. Articulate which principles of economic thinking have been addressed by the material learned in this unit.
UNIT: IV FINANCIAL SECTOR

Financial Sector

Fiscal Policy 7c,d
- Income and Taxes
- Government spending

Monetary Policy 6a,b, 7a
- Central Bank and Money Supply
  - Tools of the Central Bank
    - Quantity theory of money
  - Financial Assets
    - Time value of money
  - Measure of money supply
    - Banks and creation of money
    - Money demand
    - Loanable funds market

Money, Banking and Financial Markets
A. FISCAL POLICY 7C, D

A.1 INCOME AND TAXES

A.2 GOVERNMENT SPENDING

B. MONETARY POLICY 6A,B, 7A

B.1 CENTRAL BANK AND MONEY SUPPLY
   B.1.1 Tools of the Central Bank
   B.1.2 Quantity theory of money

B.2 MONEY, BANKING AND FINANCIAL MARKETS
   B.2.1 Financial Assets
   B.2.2 Time value of money
   B.2.3 Measure of money supply
   B.2.4 Banks and creation of money
   B.2.5 Money demand
   B.2.6 Loanable funds market
At the end of this unit, students will be able to:

1. Why is understanding aggregate supply and aggregate demand crucial to an understanding of Macroeconomics?
2. List the determinants of aggregate demand (AD). (Includes EPF.3a,b,c,d, 4d)
3. Distinguish between changes in AD and a change in price level causing movement along the AD curve.
4. Explain why the AD curve is down sloping.
5. List the determinants of aggregate supply (AS). (Includes EPF.3a,b,c,d, 4d)
6. Distinguish between changes in AS and a change in price level causing movement along the AS curve.
7. Explain and demonstrate the shape of the AS curve in the short run and long run; define and how the full-employment level of output.
8. Determine the importance of the shape of the AS curve on the effects of change in the AD curve.
9. Determine equilibrium using AD/AS graph and show the effects of change in the AD curve. (Includes EPF.3b)
10. Given data, determine the size of the spending multiplier and assess its impact on AD.
11. Explain the balanced budget multiplier.
12. Distinguish between sticky price and sticky wage models and flexible price and flexible wage models; identify the effect of these differences on the AS curve. (Includes EPF.3c, d)
13. Articulate which principles of economic thinking have been addressed by the material learned in this unit.
A. AGGREGATE DEMAND 3A,B,C,D 4D

A.1 DETERMINANTS
A.2 MULTIPLIER AND CROWDING-OUT EFFECTS

B. AGGREGATE SUPPLY 3A,B,C,D 4D

B.1 SHORT-RUN AND LONG-RUN ANALYSES
B.2 STICKY V. FLEXIBLE WAGES AND PRICES
B.3 DETERMINANTS

C. MACROECONOMIC EQUILIBRIUM 3D

C.1 REAL OUTPUT AND PRICE LEVEL
C.2 SHORT AND LONG RUN
C.3 ACTUAL V. FULL EMPLOYMENT OUTPUT
C.4 ECONOMIC FLUCTUATIONS
At the end of this unit, students will be able to:

1. Answer the questions:
   - “What is meant by the term “economic growth” and how is it measured?”
   - “Why do we value economic growth so highly in this country?”
2. Explain how investment in human capital, capital goods and technology can improve productivity. (Includes EPF.2g, 4a,b,c)
3. Describe the fluctuations of the business cycle. (Includes EPF.5c)
4. Analyze the role of productivity in raising real output and standard of living.
5. Discuss ways in which public policies stimulate economic growth.
6. Describe strategies for achieving national economic goals. (Includes EPF.5d)
7. Articulate which principles of economic thinking have been addressed by the material learned in this unit.
A. INVESTMENT IN HUMAN CAPITAL 2G, 4.A,B,C

B. INVESTMENT IN PHYSICAL CAPITAL 2G

C. RESEARCH, DEVELOPMENT AND TECHNOLOGICAL PROGRESS

D. GROWTH POLICY
   D.1 ECONOMIC GOALS
   D.2 PUBLIC POLICIES

E. BUSINESS CYCLE 5.C
At the end of this unit, students will be able to:

1. Answer the question: *Why don’t we have a pure market economy in our country?*
2. Measure the effects of built-in stabilizers on the economy. *(Includes EPF.7b,d)*
3. Explain how an economy responds to a short-run shock and adjusts in the long run in the absence of any public policy actions.
4. Determine the economic effects of government deficit budgets, including “crowding out.”
5. Predict the potential consequences of a large national debt.
6. Use short-run and long-run Phillips curve analyses to gain an understanding of inflation-unemployment tradeoffs.
7. Design a AD/AS model that shows the causes of inflation. *(includes EPF.5b)*
8. Speculate on the role of inflationary expectations on price level and output.
9. Articulate which principles of economic thinking have been addressed by the material learned in this unit.
A. FISCAL AND MONETARY POLICIES 7B

A.1 DEMAND-SIDE EFFECTS
A.2 SUPPLY-SIDE EFFECTS
A.3 POLICY MIX
A.4 GOVERNMENT DEFICITS AND DEBT

B. INFLATION AND UNEMPLOYMENT 5B

B.1 TYPES OF INFLATION
   B.1.1 Demand-pull Inflation
   B.1.2 Cost-push Inflation
B.2 THE PHILLIPS CURVE
   B.2.1 Short Run
   B.2.2 Long Run
B.3 ROLE OF EXPECTATIONS
At the end of this unit, students will be able to:

1. Defend the statement: “When parties trade voluntarily, all benefit.” (Includes EPF.9a)
2. Give multiple examples of global interdependence. (Includes EPF.9g)
3. Demonstrate how the balance-of-payment accounts are recorded. (Includes EPF.9c)
4. Explain the net effect of trade restrictions. (Includes EPF.9e)
5. Use graphical and tabular analysis to show the benefit of employing comparative and absolute advantage. (includes EPF.9b)
6. Determine the impact of various factors on equilibrium foreign exchange rates. (Includes EPF.9d)
7. Using demand/supply analysis, show how market forces and public policy affect currency demand and currency supply.
8. Define currency appreciation and depreciation and relate both to graphical analysis.
9. Verbally articulate the effects of appreciation and depreciation on a country’s net exports.
10. Predict how changes in net exports and capital flows will affect financial and goods markets.
11. Describe the intent of international trade agreements and the World Trade Organization. (Includes EPF.9f)
12. Articulate which principles of economic thinking have been addressed by the material learned in this unit.
A. BALANCE OF PAYMENTS ACCOUNTS 9.A-E

A.1 BALANCE OF TRADE
A.2 CURRENT ACCOUNT
A.3 CAPITAL ACCOUNT

B. FOREIGN EXCHANGE MARKET 9.D

B.1 DEMAND FOR AND SUPPLY OF FOREIGN EXCHANGE
B.2 EXCHANGE RATE DETERMINATION
B.3 CURRENCY APPRECIATION AND DEPRECIATION

C. NET EXPORTS AND CAPITAL FLOWS

D. LINKS TO FINANCIAL AND GOODS MARKETS 1.E

D.1 MARKET ECONOMY
D.2 MIXED ECONOMY
D.3 COMMAND ECONOMY
D.4 TRADITIONAL ECONOMY