MONTE VISTA CHRISTIAN SCHOOL
SOSC 4452 AP Macroeconomics
Course Syllabus

Course Description

A college level course introducing the study of macroeconomics. The course will begin with an overview of basic principles of economics; including, but not limited to, supply and demand, scarcity, opportunity cost, factor, and product markets. The focus will then shift to analyzing national economic measurement indicators. The role of government in decision-making by individuals, businesses, and other organizations will also be analyzed.

Curricular Mapping

The semester will begin with the study of basic economic theory, concepts, and principles. Macroeconomics will focus on the big picture elements of the U.S. economy. This will include analyzing GDP, inflation, unemployment, CPI, finance and banking institutions, and of course international trade. Students will be expected to not only keep up with assigned reading but also incorporate supplementary readings, such as newspapers and area specific journals.

Course Objectives

Upon the successful completion of this course the student will be able to:

1. Explain what Goods and Services are counted in GNP and GDP as Consumption, Investment, Government Expenditures, and Net Exports
2. Describe the difference between Nominal and Real GNP
3. Describe what determines the amount of goods and services produced and the level of employment in the Keynesian theory of Aggregate Supply-Aggregate Demand.
4. Calculate the values for the Multiplier using given values for the marginal Propensity to Consume.
5. Explain the Equilibrium levels of Output and Employment in Keynesian analysis when prices are free to vary
6. Describe how Fiscal Policy can be used to stabilize the economy
7. Evaluate Macroeconomic conditions and determine the Fiscal Policy that can be used to improve those conditions
8. Define and contrast the definitions of M1, M2, and M3
9. Define and compare Required Reserves and Excess Reserves
10. Explain how the banking system creates money
11. Calculate the Money Multiplier and money growth possible from a given value of Excess Reserves
12. Describe the organizational structure of the Federal Reserve System

13. Explain how Open Market Operations, the Discount Rate, and the Reserve Requirement are used to expand or contract the money supply
14. Use a Phillips Curve to illustrate tradeoffs between inflation and unemployment in the short run and the long run
15. Compare and contrast the effectiveness of Monetary and Fiscal Policy as tools of economic stabilization
16. Describe and discuss the essence of the Classical, Keynesian, Monetarist, Supply-Side, Rational Expectations, and Neo-Classical theories
17. When given necessary data, compute the costs of producing two commodities in two countries, determine which nation has the Comparative Advantage in the production of each commodity, calculate the trading ratio, and explain the gains to each nation and the world from Specialization and Trade
18. Describe how Exchange Rate Systems work and convert currency using current exchange rates
19. Describe the effects of Depreciating or Appreciating Currency Rates on a nation's imports and exports
20. Prepare for their future educational and career goals by meeting college-level expectations and practicing skills for life-long success.

Text

Your necessary digital texts for this class will be part of a "Required Course Materials Fee" thru the EdTech bookstore. This is a bundle purchase of digital texts for your full schedule of classes and will be available for purchase after 7/18/16. For further instructions please visit the 16-17 School Year icon on the MVCS homepage. Please note: some courses may require additional purchases outside of the course materials fee. There is additional course material that will be provided by your instructor and available in the classroom.

Course Outline

Unit 1: Measurement of Economic Performance

I. Gross Domestic Product and National Income Concepts ( 1 Week)

- A. Measuring GDP, Four-Sector Circular Flow Model, and Flow versus Stock
    1. Expenditure approach [C+I+G+(Xd-Im)]
        - C = Consumption Spending
        - I = Investment Spending
        - G = Government Spending and Investment
        - Xn (Xd-Im) = Net Exports (exports – imports)
    2. Income approach (W+R+I+P)
        - W = Compensation of Employees
        - R = Rental Income of Persons

I = Net Interest
P = Profits (Non-income adjustments)

B. Problems with calculating GDP: Non-market transactions, distribution, kind and quality of products.

C. Changing Nominal GDP (GDPn) to real GDP (GDPr).
1. How and why?
2. GDP deflator price index

D. Other national accounts: net national product (NNP), national income (NI), personal income (PI), and disposable income (DI).

II. Inflation
A. The Meaning and Measurement of Inflation
B. The Consumer Price Index (CPI) and How It Is Computed
C. Problems with the CPI
D. Other Indexes: Producer Price Index
E. Consequences of Inflation: shrinking incomes, changes in wealth, effect on interest rates
F. Demand-Pull and Cost-Push Inflation

III. Unemployment and Business Cycles
A. The four phases of the business cycle
B. Total Spending and How It Affects the Business Cycle
C. Unemployment: Defined
D. Problems with the Unemployment Rate:
Who is counted and who isn't?
E. Types of Unemployment
1. Frictional, structural, cyclical, seasonal
2. Which will affect the unemployment rate and why?
F. Full Employment (Natural Rate of Unemployment):
What is it? What are the implications if achieved?
G. The GDP Gap: Explaining lost potential

IV. Graphs / Diagrams / Formulas
A. Circular Flow
B. Phases of the Business Cycle
C. GDPn, GDPr, GDP deflator price index, CPI, rate of inflation

Unit 2: National Income and Price Determination

I: Aggregate Demand and Supply; National Income and Price Determination
A. Aggregate Demand Curve: Reasons for Its Shape
(Real balances effect, Interest rate effect, Net export effect)
B. Determinants of Aggregate Demand

C. Aggregate Supply Curve (SRAS and LRAS)
    1. Classical view, Keynesian view
    2. Changes in equilibrium price and quantity with the three ranges
D. Determinants of Aggregate Supply
E. Macroeconomic equilibrium

II. Fiscal Policy/Public Sector
A. Discretionary Fiscal Policy
    1. Changes in government spending and tax rates
    2. Balanced-budget multiplier
B. Supply-Side Policies
C. Government Size and Growth
    1. Financing budgets
    2. Government expenditure patterns
D. Types of Taxation
(Progressive, Proportional, Regressive)
E. Federal Deficits and the National Debt
    1. The Federal Budget-Balancing Act
    2. Should we worry about deficits or the debt?

III. Aggregate Expenditure, the Keynesian Theory: An Introduction
A. The Role of the Consumption Function
B. Marginal Propensities to Consume and Save
C. Why the Consumption Function Shifts and How It Affects Aggregate Demand
D. The Role of the Investment Function
E. Why is Investment Demand Unstable?
(Expectations, Technological change, Capacity utilization)
F. Investment as an Autonomous Expenditure
G. Graphing the Aggregate Expenditure Function
H. The Keynesian Multiplier: the math and its effects
I. Recessionary and Inflationary Gaps

IV. Graphs / Diagrams / Formulas
A. Investment Demand curve
B. Aggregate Demand, Aggregate Supply, Long Run Aggregate Supply
C. Keynesian Cross
D. MPC, Keynesian Multiplier

Unit 3: Financial Sector

I. Money, banking, and financial markets
A. Three Functions of Money
B. What Stands Behind the U.S. Dollar?

- C. The Three Money Supply Definitions
    1. M1: most narrowly defined money supply
    2. M2: adding near monies to M1
    3. M3: adding large time deposits to M2
- D. Financial assets: Money, Stocks, Bonds
    1. Time value of money (present and future value)
    2. Banks and creation of money (balance sheets)
    3. Money demand
    4. Money market
    5. Loanable funds market
- E. The Money Multiplier: Theory versus reality (potential expansion of the money supply)

II. The Federal Reserve System (FED) and Monetary Policy

- A. Origins and organizational structure
- B. Powers of the FED
    1. controlling the money supply
    2. clearing checks
    3. supervising and regulating the banks
    4. loaning currency to banks
    5. acting as the bank for the U.S. government
- C. Tools of the FED to change the money supply
    1. open market operations
    2. discount rate
    3. reserve requirement
- D. Monetary Policy Shortcomings
    1. Money multiplier inaccuracies
    2. Lags in policy effects
- E. Monetary Policy
    1. The demand for money and how it may affect interest rates
    2. How monetary policy affects prices, output, and employment
    3. The Monetarist view of money (MV=PY)
    4. A comparison of views: Monetarist, Keynesian and classical economists

III. Graphs / Diagrams / Formulas

- A. Money Market
- B. Loanable Funds
- C. Interest rates / Investment Demand
- D. Money Multiplier, Reserve Ratio, Excess Reserves

Unit 4: Inflation, Unemployment, and Stabilization Policies: Monetary and Fiscal Policies

Combinations in the real world

I. Monetary and Fiscal Policy
- A. Monetary and fiscal policy working together
- B. Loanable funds market and relationship to the money market
- C. “Crowding out” and the interest rate effects of fiscal policy

II. Inflation and unemployment
- A. Types of inflation
  1. Define and graph demand-pull inflation
  2. Define and graph cost-push inflation
- B. What is the Phillips Curve?
  1. Inflation and unemployment relationship
  2. In the short run
  3. In the long run
- C. Rational Expectation Theory

III. Reasons for disagreements among economists about macroeconomic policies and effects of the policies

IV. Graphs (revisiting some graphs from previous units with new ones)
- A. Aggregate demand / aggregate supply model
- B. Money market
- C. Interest rates / Investment demand
- D. Phillips curve

Unit 5: Economic Growth and Productivity

I. Raising Productivity: Real Output and Capital Formation
- A. Human Capital Formation
- B. Physical Capital Accumulation
- C. Research and Development, Technological Progress
- D. Public Policy and Long-Run Economic Growth

II. Graphs (revisiting some graphs from previous units)
- A. Productions possibilities curve
- B. Aggregate demand / aggregate supply model

Unit 6: International Trade and Finance

I. International Trade and Finance
- A. Why Nations Trade at All
- B. Comparative and Absolute Advantage

C. Free Trade versus Protectionism
    1. Arguments for free trade
    2. Arguments against free trade
D. The Balance of Payments
    1. Current account
    2. Capital account
    3. International debt of the United States
E. Exchange Rates
    1. Supply and demand for foreign exchange
    2. Current fluctuations
        a. appreciation and depreciation
        b. graphing currency changes

II. Comparative Economic Systems
A. Basic Types of Economic Systems
    1. Traditional, command, and market economies - defined and analyzed
    2. The mixed economy of today
    3. Capitalism and socialism: basic tenets
    4. Comparing the systems
B. Comparing Developed and Developing Countries
    1. Classifying countries by GDP per capita
        a. problems with classification
    2. How to sustain economic growth in developing countries
        a. national resources
        b. policy making
    3. Implications for a changing world

III. Graphs
A. Exchange rates
B. International trade

Grading:

| **Grade Book Categories** | | **Semester Weighted Grading Configuration** | |
|---|---|---|---|
| Tests | 50% | Quarter | 40% |
| Quizzes | 30% | Quarter | 40% |
| Homework | 20% | Final Exam | 20% |

High School Standard Grading Policy:
Please refer to the policy and procedures posted online in our Parent-Student Handbook.

Class Policies:

Class time is vital.

1. Attendance: Students are expected to be in class daily. If you are unable to attend, it is your responsibility to get the classwork and homework missed. You will have one day for every day you are out to make up your work.
2. Tardies: Students are considered tardy if not in the classroom by the end of the tardy bell.
3. Students arriving 10 minutes after the tardy bell will be considered absent and sent to Student Services, if they have not already been there, to determine if the absence is excused or unexcused.
4. No food, or drinks are to be brought into the classroom. The only exception is water in a clear container. Gum is not allowed on campus, including the classroom.
5. Late homework is not accepted for any reason.
6. Only on very extraordinary occasions will students be allowed to leave the classroom once the tardy bell has rung. (With the exception of requests from the office.) Therefore, students should go to the restroom and/ or get a drink before entering the classroom.
7. Students will ask permission before leaving their desks.
8. While every effort will be made to give students time to be ready to leave the classroom when the period ends (passing time is 5 minutes), the class is dismissed by the teacher.

School Policies and Expected Student Learning Results (ESLRs):

Students are subject to all academic policies of the school as found in the Parent-Student Handbook. Furthermore, it is each student's responsibility to read and follow all academic policies of Monte Vista Christian School. In addition to addressing each ESLR every year, we target a specific ESLR each academic year for particular focus.

Miscellaneous:

Although binders are not checked, it is important to have a binder for all notes, handouts, and tests. The following items are required:

1. Three ring binder, or spiral notebook with dividers.
2. Pencil – mechanical pencil or multiple pencils since students will not be allowed to use the pencil sharpener during instruction or testing.
3. Both red and black ink pens and paper.
4. Composition book.