Board Approved September 2012

DEPARTMENT Social Studies COURSE: Advance Placement Microeconomics/Macroeconomics

Week	Marking Period 1	Week	Marking Period 3
1	Microeconomics - Unit 1	21	Microeconomics - Unit 3
2	Microeconomics - Unit 1	22	Microeconomics - Unit 3
3	Microeconomics - Unit 1	23	Microeconomics - Unit 3
4	Microeconomics - Unit 2	24	Microeconomics - Unit 4
5	Microeconomics - Unit 2	25	Microeconomics - Unit 4
6	Microeconomics - Unit 2	26	Microeconomics - Unit 5
7	Microeconomics - Unit 2	27	Microeconomics - Unit 5
8	Microeconomics - Unit 3	28	Microeconomics - Unit 5
9	Microeconomics - Unit 3	29	Micro Review
10	Microeconomics - Unit 3	30	Mid-Terms – Microeconomics Practice Exam
Week	**Marking Period 2**	**Week**	**Marking Period 4**
11	Macroeconomics – Unit 2	31	Macroeconomics – Unit 4
12	Macroeconomics – Unit 2	32	Macroeconomics – Unit 5
13	Macroeconomics – Unit 2	33	Macroeconomics – Unit 5
14	Macroeconomics – Unit 3	34	Macroeconomics – Unit 6
15	Macroeconomics – Unit 3	35	Macroeconomics – Unit 6
16	Macroeconomics – Unit 3	36	AP Exams Administered
17	Macroeconomics – Unit 3	37	Final Projects
18	Macroeconomics – Unit 3	38	Final Projects
19	Macroeconomics – Unit 4	39	Final Projects
20	Macroeconomics – Unit 4	40	Final Exams

DEPARTMENT Social Studies COURSE: Advance Placement Microeconomics/Macroeconomics

Time Frame	3 Weeks

Topic

Unit 1: Basic Economic Concepts (Ch. 1-3, Principles of Economics Mankiw, 5th ed.)

Essential Questions

Why is there no such thing as a free lunch?

Enduring Understandings

- In any economy, scarce resources and unlimited wants result in the need to make choices.
- Everything has a cost.
- People choose for good reasons.
- Incentives matter.
- People create economic systems to influence choices and incentives.
- People gain from voluntary trade.
- Economic thinking is marginal thinking.
- The value of a good or service is affected by people's choices.

Alignment to NJCCCS

NJCCCS – **9.2.12.F.1, 9.2.12.F.2, 9.2.12.F.3, 9.2.12.F.4**

Key Concepts and Skills

The student should be able to:

- Define opportunity cost
- Define comparative and absolute advantage
- Describe and give examples of the law of comparative advantage.
- Explain how both parties in trade gain from voluntary exchange.
- Describe and analyze the "economic way of thinking"
- Graph and interpret data
- Graph and distinguish among inverse, direct, and zero relationships.
- Graph and distinguish between constant and variable relationships.
- Identify the conditions that give rise to the economic condition of scarcity.
- Identify the opportunity costs of various courses of action involving a hypothetical problem.
- Construct production possibilities curves from given data.
- Apply the concepts of opportunity costs to a production possibilities curve.
- Analyze the significance of different locations on, above, and below a production possibilities curve.
- Identify the three questions every economic system must answer.
- Analyze the advantages and disadvantages of the three economic system (market, command, traditional)
- Describe and analyze the economic goals of different economies.
- Compare and contrast the types of institutions and their importance in different economies.
- Determine the mix of tradition, command, and market systems in different economies.
- Define specialization and exchange.

Learning Activities

- Chapter Readings and Notes
- Daily Activities
- Open-ended Questions

- Political Cartoons
- Collaborative work

Assessments

- Section Quizzes
- Do-nows
- Open-ended questions
- Essays
- Chapter Tests
- Presentations and Projects

21st Century Skills

X	Creativity	**X**	Critical Thinking	**X**	Communication	**X**	Collaboration
X	Skills	**X**	Information Literacy	**X**	Media Literacy		

Interdisciplinary Connections

Common Core Standards - RH.11-12.1-10, WHST.11-12.1-10

Technology Integration

- Laptop and Projector
- PowerPoint Presentations
- Teacher's Blog
- Professors' videos
- **8.1 Educational Technology:** All students will use digital tools to access, manage, evaluate, and synthesize information in order to solve problems individually and collaboratively and to create and communicate knowledge. **B. Creativity and Innovation; C. Communication and Collaboration**

DEPARTMENT Social Studies COURSE: Advance Placement Microeconomics/Macroeconomics

Time Frame	4 Weeks

Topic

Unit 2: Supply and Demand (Ch. 4-8, Principles of Economics Mankiw, 5th ed.)

Essential Questions

How do the laws of supply and demand affect the allocation of resources?

Enduring Understandings

- Supply and demand curves are models for understanding human behavior.
- A demand curve is downward sloping.
- The Theory of Consumer Choice shows how marginal utility effects demand.
- Factors other than price cause the demand curve to shift
- A supply curve is upward sloping
- The forces of supply and demand work to establish a price at which the quantity of goods and services people will buy is equal to the quantity suppliers will provide.
- Market prices determine what to produce, how to produce and for whom to produce.
- Businesses make pricing decisions and governments make decisions on taxation, based on the relative elasticity of goods and services.

Alignment to NJCCCS

NJCCCS - **9.2.12.F.1, 9.2.12.F.2, 9.2.12.F.3, 9.2.12.F.4**

Key Concepts and Skills

The student should be able to:

- Describe and analyze what demand is and why consumers buy more of a good or service when the price is lower.
- Differentiate between a change in demand and a change in quantity demanded.
- List and explain the determinants of demand.
- Under specific conditions, determine in which direction a demand curve should shift.
- Define and distinguish between the income and substitution effects.
- Define consumer surplus, and analyze why markets maximize consumer surplus.
- Define diminishing marginal utility, and explain how the law of diminishing marginal utility affects the behavior of consumers in a market economy.
- Define price elasticity of demand.
- Define price elasticity of supply.
- Define and distinguish among elastic, inelastic and unit elastic demand.
- Explain the characteristics that tend to make demand more elastic or more inelastic.
- Determine the prices at which a product has elastic or inelastic demand by observing how total revenue changes in response to changes in price.
- Apply price elasticity of demand to economic problems.
- Define and distinguish between a normal good and an inferior good using income elasticity of demand.
- Calculate price elasticities of demand using the arc method.
- Calculate varying price elasticities of demand along a demand curve of constant shape. 1.
- Define and describe price ceilings and price floors.
- Illustrate price ceilings and floors on graphs.
- Analyze the effects of price ceilings and floors in terms of surpluses and shortages.
- Analyze how prices act as incentives that influence human behavior.

Learning Activities							
• Chapter Readings and Notes • Daily Activities • Do-nows • Open-ended Questions • Collaborative work • Political Cartoons							
Assessments							
• Section Quizzes • Chapter Tests • Do-nows • Essays • Open-ended questions • Presentations and Projects							
21st Century Skills							
X	Creativity	**X**	Critical Thinking	**X**	Communication	**X**	Collaboration
X	Skills	**X**	Information Literacy	**X**	Media Literacy		
Interdisciplinary Connections							
Common Core Standards - RH.11-12.1-10, WHST.11-12.1-10							
Technology Integration							
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DEPARTMENT Social Studies COURSE: Advance Placement Microeconomics/Macroeconomics

Time Frame	6 Weeks

Topic

Unit 3 - The Theory of the Firm (Ch. 13-17, Principles of Economics Mankiw, 5th ed.)

Essential Questions

How do we analyze the behavior and role of business in a capitalist economy?

Enduring Understandings

- Firms should ignore sunk costs when making decisions. Why are marginal costs their primary consideration?
- This material is based on the assumption that the objective of all firms is to maximize profits. Is this assumption valid?
- Firms maximize profits where marginal revenue equals marginal cost. Why is this so?
- When perfectly competitive firms maximize profits, the general good is served. Why? What are the implications of this?
- When monopolies attempt to maximize profits, the general good is not served. Why? What are the implications of this?
- Most U.S. markets can be classified as monopolistic competition or oligopoly. Why do we spend so much time on perfect competition and monopoly — forms of market structure that are rare?
- What type of antitrust policy should government pursue? Why?

Alignment to NJCCCS

NJCCCS - **9.2.12.F.1, 9.2.12.F.2, 9.2.12.F.3, 9.2.12.F.4**

Key Concepts and Skills

The student should be able to:

- Describe the major characteristics of perfect competition, monopolistic competition, oligopoly and monopoly.
- Define the relationship between inputs and outputs or product and cost.
- Explain the relationships among marginal product, total product and average product.
- Explain the relationships among marginal cost, total variable cost and average variable cost.
- Use explicit and implicit costs to determine economic profit and loss.
- Distinguish economic profit from normal profit.
- Define and graph total fixed cost (FC), total variable cost (VC) and total cost (TC).
- Define and graph average fixed cost (AFC), average variable cost (AVC), average total cost (ATC) and marginal cost (MC).
- Calculate AFC, AVC, ATC and MC given a schedule of the quantity of output and fixed and variable costs at each output level.
- Explain why MC = ATC at the minimum ATC level.
- Explain why fixed cost is unrelated to marginal cost.
- Explain how decreasing marginal product is related to increasing marginal costs.
- Explain how the law of diminishing marginal returns affects costs.
- List the conditions that must be fulfilled if an industry is to be perfectly competitive.
- Explain why for a perfectly competitive firm, price, marginal revenue and demand are equal.
- Compute and graph price, average revenue and marginal revenue when given the demand schedule faced by a perfectly competitive firm.
- Explain the profit-maximizing rule for a perfect competitor and state the reason the rule works.
- Given data, determine the price and output of a perfectly competitive firm in the short run.

- Given data, determine the break-even and shutdown points for a perfect competitor.
- Given data, determine the price and the output of the individual firm and of the industry in the short run and in the long run.
- Describe how the entry and exit of firms bring about long-run equilibrium.
- Evaluate the implications of long-run equilibrium where P = MC = ATC.
- Derive the firm's short-run supply schedule from cost schedules.
- Differentiate a long-run average cost curve from a short-run average cost curve.
- Calculate the firm's economic profit at a given price.
- Describe the long-run adjustment of the firm and the industry to short-run economic profits and losses.
- Describe the long-run supply schedules for constant-cost, increasing-cost and decreasing cost industries.
- Evaluate the advantages and shortcomings of a perfectly competitive market.
- Define marginal revenue.
- Calculate marginal revenue from a schedule of output and total revenue, and plot marginal revenue and price.
- Explain why the marginal revenue curve lies below the demand curve when plotted on a graph.
- Explain why a monopoly firm should never operate on the inelastic portion of its demand curve.
- Given cost and demand information, find the monopolist's profit-maximizing output.
- Calculate the monopoly firm's profit or loss at its profit-maximizing output.
- Compare and contrast the monopolist's profit maximizing price, output and profit with those of a perfect competitor.
- Describe the effect of a monopoly on consumer and producer surplus.
- Analyze the effects of pure monopoly on the price of the product, the quantity of the product produced and the allocation of society's resources.
- Identify the socially optimal and fair-return price for a regulated monopoly.
- Identify the characteristics of a natural monopoly and discuss why natural monopolies occur.
- Describe price discrimination and analyze its effects on society.
- Given data, recommend the proper price and output for a monopoly.
- Compare and contrast the effects of perfect competition and monopoly on society. 1. Define and discuss the nature of monopolistic competition.
- When given cost and price data, determine the output and price charged by a monopolistic competitor in the short run and in the long run.
- Identify the wastes of monopolistic competition, and explain why product differentiation may offset these wastes.
- Define and discuss the nature of oligopoly.
- When given cost and price data, determine the output and price charged by an oligopolist in the short run and in the long run.
- Discuss the role of nonprice competition in oligopoly.
- Describe the types of nonprice competition used by oligopolists.
- Discuss the mutual interdependence of oligopolists and analyze how this provides incentives to cheat on a collusive agreement.
- Use game theory to illustrate how the prisoner's dilemma affects collusive and competitive strategies.

Learning Activities

- Chapter Readings and Notes
- Daily Activities
- Open-ended Questions
- Collaborative work
- Political Cartoons

Assessments

- Section Quizzes
- Do-nows
- Open-ended questions
- Essays
- Chapter Tests
- Presentations and Projects

21st Century Skills

X	Creativity	X	Critical Thinking	X	Communication	X	Collaboration
X	Skills	X	Information Literacy	X	Media Literacy		

Interdisciplinary Connections

Common Core Standards - RH.11-12.1-10, WHST.11-12.1-10

Technology Integration

- Laptop and Projector
- PowerPoint Presentations
- Teacher's Blog
- Professors' videos
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DEPARTMENT_Social Studies_____________ COURSE: Advance Placement Microeconomics/Macroeconomics

Time Frame	2 Weeks

Topic

Unit 4: The Economics of Labor Markets (Ch. 18-20, Principles of Economics Mankiw, 5th ed.)

Essential Questions

Why do computer programmers earn more than gas station attendants?

Enduring Understandings

- A firm is both a seller in product markets and a buyer in factor markets.
- The demand curve for a resource, however, is derived from the product that the resources can produce.
- Marginal productivity analysis is used to analyze how wages, rents, interest and profits are determined.
- A firm will hire inputs until marginal revenue product equals marginal resource cost.
- Economic profits create the incentive in a capitalist economy and influence both the use and allocation of resources.

Alignment to NJCCCS

NJCCCS - **9.2.12.F.1, 9.2.12.F.2, 9.2.12.F.3, 9.2.12.F.4**

Key Concepts and Skills

The student should be able to:

- Describe the difference between factor market and product markets.
- Describe the difference between a monopsony and a monopoly.
- Provide examples of what is bought and sold in a product market and in a factor market.
- Define derived demand, marginal revenue product, marginal physical product and marginal resource cost.
- Given data, construct a marginal physical product schedule and a marginal revenue product schedule for a resource purchased in a perfectly competitive resource market when the product is sold in a perfectly competitive product market.
- Given data, construct a marginal physical product schedule and a marginal revenue product schedule for a resource purchased in a perfectly competitive resource market when the product is sold in an imperfectly competitive product market.
- State the principle employed by a profit-maximizing firm to determine how much of a resource it will employ.
- Given data, determine how much of a resource the firm will employ and what price it will pay.
- Given data, state and use the principle employed by a firm to develop the least-cost profit-maximizing combination of resources.
- Predict the effect of various events on the demand for a resource.
- Understand what determines the wage rate and level of employment in competitive labor markets.
- Understand what determines the wage rate and level of employment in monopolistic labor markets.
- Compare the wage level and employment level in a competitive labor market with the wage level and employment level in a monopolistic labor market.
- Analyze the effects of a minimum-wage law in competitive and monopolistic labor markets.
- Analyze the effects of labor-union tactics in competitive and monopolistic labor markets.
- Define economic rent, and explain what determines the amount of economic rent paid.
- Explain why the owners of land do not all receive the same amount of economic rent.
- Apply the concept of economic rent (economic surplus) to the salaries of professional

athletes.
- Describe why the interest rate is the return on borrowed funds.
- Define economic profit and distinguish between normal profit and economic profit.

Learning Activities

- Chapter Readings and Notes
- Daily Activities
- Open-ended Questions
- Political Cartoons
- Collaborative work

Assessments

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- Do-nows
- Open-ended questions
- Essays
- Chapter Tests
- Presentations and Projects

21st Century Skills

X	Creativity	**X**	Critical Thinking	**X**	Communication	**X**	Collaboration
X	Skills	**X**	Information Literacy	**X**	Media Literacy		

Interdisciplinary Connections

Common Core Standards - RH.11-12.1-10, WHST.11-12.1-10

Technology Integration

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DEPARTMENT_Social Studies_____________ COURSE: Advance Placement Microeconomics/Macroeconomics

Time Frame	3 Weeks

Topic

Unit 5: The Government and the Markets (Ch. 9-12, 21, Principles of Economics Mankiw, 5th ed.)

Essential Questions

- Why is gasoline taxed so heavily?

Enduring Understandings

- Governments must provide public goods.
- Pure public goods are rare and must meet the criteria of shared consumption and nonexclusion.
- Governments also correct market failures.
- A market failure occurs when the private market produces too much or too little of a good because of negative and positive externalities.
- Market failures also occur when people in markets do not have sufficient information, and this is also used to justify government intervention.

Alignment to NJCCCS

NJCCCS - **9.2.12.F.1, 9.2.12.F.2, 9.2.12.F.3, 9.2.12.F.4**

Key Concepts and Skills

The student should be able to:

- Define public good.
- Describe the characteristics of a public good.
- Develop a rationale for determining which goods should be produced by the private sector and which by the public sector.
- Explain how private market activities can cause externalities.
- 2. Define and give examples of third-party costs or negative externalities.
- Define and give examples of third-party benefits or positive externalities.
- Analyze ways positive and negative externalities can cause overproduction or underproduction of goods and services.
- Analyze the effectiveness of government policies designed to remedy problems caused by positive or negative externalities.
- Describe the Coase Theorem and use it to analyze how negotiations among private-property owners can resolve market-allocation problems.
- Define and differentiate between the ability-to-pay and the benefits-received theories of taxation.
- Define and differentiate among progressive, proportional and regressive taxes.
- Describe the distribution of income in the United States.
- Describe who pays income taxes and which income earners bear the greatest burden of income taxes.
- Analyze the effects of government redistribution
- Determine the optimum amount of pollution cleanup.
- Describe the information-cost problem, and analyze the effectiveness of government policies to correct it.
- Describe the basic tenets of the public-choice model of government behavior.
- Analyze the reasons why self-interest leads to the public good in a private market but does not lead to the public good in the government sector.

Learning Activities

- Chapter Readings and Notes
- Daily Activities
- Open-ended Questions

- Political Cartoons
- Collaborative work
- Do-nows

Assessments

- Section Quizzes
- Do-nows
- Open-ended questions
- Essays
- Chapter Tests
- Presentations and Projects

21st Century Skills

X	Creativity	**X**	Critical Thinking	**X**	Communication	**X**	Collaboration
X	Skills	**X**	Information Literacy	**X**	Media Literacy		

Interdisciplinary Connections

Common Core Standards - RH.11-12.1-10, WHST.11-12.1-10

Technology Integration

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DEPARTMENT Social Studies COURSE: Advance Placement Microeconomics/Macroeconomics

Time Frame	3 Weeks

Topic

Unit 2: Goals of Macroeconomic Policies (Ch. 23-25, 28, Principles of Economics Mankiw, 5th ed.)

Essential Questions

- Why there is unemployment at full employment?
- When is inflation a good thing?

Enduring Understandings

- As output rises and falls, the amounts of goods and services people have increases and decreases.
- The standard of living rises and falls, and people are better off or worse off.
- Growth in an economy depends on the number of workers, the education and training of workers, the technological advances, the amount of machinery and technology labor has to work with, and the basic material resources.
- The unemployed are people who are actively seeking jobs or are temporarily laid off.
- Inflation is an increase in the average price level over time.
- Trade policies, monetary policies, and fiscal policies all affect the impact of the domestic economy on the economies of other nations.
- The goals of U.S. macroeconomic policy makers are captured in two laws: the Employment Act of 1946 and the Full Employment and Balanced Growth Act of 1978 (Humphrey-Hawkins Act).
- Anticipated inflationrepresents the level of inflation peopleexpect to occur and have built into theireconomic decisions.
- Unanticipated inflation isthe level of inflation that is not expected or isunforeseen.
- Economic history seems to show that there is a short-run trade-off between inflation and unemployment.
- The business cycle is a problem because of the by-products of output fluctuations: unemployment and inflation.

Alignment to NJCCCS

NJCCCS – 9.2.12.F.1, 9.2.12.F.2, 9.2.12.F.3, 9.2.12.F.4

Key Concepts and Skills

The student should be able to:

- Define macroeconomics.
- Explain the important macroeconomic issues.
- Describe the circular flow of goods, services and payments in the macro economy.
- Describe the major sectors of the macro economy.
- Describe the economic goals of U.S. society.
- Define full employment, inflation and economic growth.
- Explain the methods of measuring macroeconomicgoals.
- Describe the construction of a price index.
- Explain the difference between real GDP and nominal GDP.
- Explain the importance of GDP as a measure of economic activity.
- Demonstrate how to change the base year of a price index.
- Define anticipated versus unanticipated inflation.
- Explain the impact of unanticipated inflation.
- Explain the issues in measuring unemployment.
- Define the types of unemployment.
- Define and describe the phases of the business cycle.

- Define recession.
- Recognize the trade-offs between goals.

Learning Activities

- Chapter Readings and Notes
- Daily Activities
- Open-ended Questions
- Do-nows
- Political Cartoons

Assessments

- Section Quizzes
- Chapter Tests
- Do nows
- Essays
- Open-ended questions
- Presentations and Projects

21st Century Skills

X	Creativity	**X**	Critical Thinking	**X**	Communication	**X**	Collaboration
X	Skills	**X**	Information Literacy	**X**	Media Literacy		

Interdisciplinary Connections

Common Core Standards - RH.11-12.1-10, WHST.11-12.1-10

Technology Integration

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Time Frame	5 Weeks

Topic

Unit 3: Aggregate Demand and Aggregate Supply (Ch. 33-34, Principles of Economics Mankiw, 5th ed.)

Essential Questions

- Why is investment such a critical component in gross domestic product?
- Why is the aggregate demand and aggregate supply model a more complex economic model than the Keynesian representation?

Enduring Understandings

- The aggregate demand and aggregate supply model, where the price level and output are determined, is the central model for macroeconomic analysis.
- The Keynesian model is the simplest macro model and is the starting point from the national income accounting identity: GDP = C + I + G + NX.
- The determinants of investment: output and interest rate.
- Real GDP determines investment because it is a measure of the level of demand for the product.
- Aggregate demand represents the sum of consumption (C), investment (I), government expenditures (G) and net exports (NX).
- Aggregate supply is the quantity of output that firms are willing and able to produce for the economy.
- Fiscal policy is one of the two demand management policies available to policy makers.
- Government expenditures and the level and type of taxes are discretionary fiscal policy tools.

Alignment to NJCCCS

NJCCCS – **9.2.12.F.1, 9.2.12.F.2, 9.2.12.F.3, 9.2.12.F.4**

Key Concepts and Skills

The student should be able to:

- Develop the Keynesian model.
- Explain the four sectors of the Keynesian model.
- Explain equilibrium in the Keynesian model.
- Explain the economy's response if income is not at the equilibrium level.
- Explain the difference between equilibrium output and full-employment output.
- Explain the consumption function.
- Describe the relationship between average and marginal propensities to consume and save.
- Explain the multiplier process.
- Define investment.
- Differentiate between investment in capital stock and financial investment.
- Describe the determinants of investment.
- Explain why changes in the interest rate change the level of investment.
- Describe the effects of different interest elasticities of investment demand.
- Define aggregate demand.
- Explain why the aggregate demand curve is downward sloping.
- Describe the factors that affect aggregate demand.
- Explain what factors will shift the aggregate demand curve.
- Define aggregate supply.
- Explain why the aggregate supply curve is upward sloping.
- Describe the factors that affect aggregate supply.

- Explain what factors will shift the aggregate supply curve.
- Explain the macroeconomic equilibrium.
- Explain what happens to the equilibrium price level and quantity with a change in aggregate demand and supply.
- Relate the long-run aggregate supply curve to the production possibilities curve.
- Explain the impact of government spending changes on the economy.
- Explain the effect of changes in taxes on the economy.
- Describe the embedded fiscal policy tools and explain how the tools adjust the economy.
- Explore the alternative methods of analyzing fiscal policy effects.

Learning Activities

- Chapter Readings and Notes
- Daily Activities
- Open-ended Questions
- Political Cartoons

Assessments

- Section Quizzes
- Chapter Tests
- Do nows
- Essays
- Open-ended questions
- Presentations and Projects

21st Century Skills

X	Creativity	**X**	Critical Thinking	**X**	Communication	**X**	Collaboration
X	Skills	**X**	Information Literacy	**X**	Media Literacy		

Interdisciplinary Connections

Common Core Standards - RH.11-12.1-10, WHST.11-12.1-10

Technology Integration

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DEPARTMENT_Social Studies_____________ COURSE: Advance Placement Microeconomics/Macroeconomics

Time Frame	3 Weeks

Topic

Unit 4: Money and Monetary Policy (Ch. 29, 30, 34, Principles of Economics Mankiw, 5th ed.))

Essential Questions

- How is money created?
- Why is money necessary?
- What is the relationship between the money supply and gross domestic product?

Enduring Understandings

- Money has existed for a long time, and a wide range of commodities have served as money in different countries and at different times.
- The equation of exchange: MV = PQ shows the relationship among the money supply, income velocity, the price level and real output.
- There is evidence that income velocity (V) is highly predictable
- Financial intermediaries act as the go-between borrowers and lenders.
- Financial intermediaries include commercial banks, savings and loan associations, savings banks, credit unions and money market mutual fund companies.
- Banks create money through the fractional banking system.
- The Federal Reserve System is the central bank for the United States. It has regulatory authority for many financial institutions that hold checkable deposits.
- The Fed has the responsibility to control the money supply to promote the economic goals of full employment, price stability and stable economic growth.
- Given the demand for money, by controlling the money supply, the Federal Reserve controls the interest rate in the short run.
- The Fed's manipulation of the money market affects equilibrium output and price level.
- The real interest rate determines the level of investment, whereas the nominal interest rate determines the demand for money.

Alignment to NJCCCS

NJCCCS **– 9.2.12.F.1, 9.2.12.F.2, 9.2.12.F.3, 9.2.12.F.4**

Key Concepts and Skills

The student should be able to:

- Describe the properties of money.
- Describe the functions of money.
- Explain the definitions of money used in the United States.
- Define the equation of exchange.
- Define the variables in the equation of exchange.
- Explain how changes in the money supply are translated into changes in nominal GDP, prices and output.
- Discuss the factors that affect income velocity. Explain the economic function of financial intermediaries.
- Explain the fractional reserve system.
- Explain the process by which banks create or destroy money and the factors that affect the increase or decrease in the money supply.
- Define the required reserve ratio, required reserves, excess reserves and deposit expansion multiplier.
- Describe the structure of the Federal Reserve System.
- Identify each of the tools of the Fed and explain how changes in each tool affect the money supply.
- Explain basic balance sheets.
- Define transactions demand for money, precautionary (liquidity) demand for money and the

speculative demand for money and explain how each affects the total demand for money.

- Discuss the motives for holding assets as money.
- Identify the factors that cause the demand for money to shift and explain why the shift occurs.
- Explain how interest rates are determined in the money market.
- Describe how Federal Reserve policy impacts the interest rate.
- Explain how interest rates affect monetary policy. Define the real interest rate and the nominal interest rate.
- Explain the relationship among the real interest rate, the nominal interest rate and the inflation rate, also known as the *Fisher Equation*.
- Explain the *Fisher Effect*, or how changes in the money supply are transmitted to the nominal interest rate in the long run.
- Explain the effects of monetary policy in the short run and the subsequent changes in the model as the economy moves to the long run.
- Define neutrality of money.

Learning Activities

- Chapter Readings and Notes
- Daily Activities
- Open-ended Questions
- Political Cartoons

Assessments

- Section Quizzes
- Chapter Tests
- Do nows
- Essays
- Open-ended questions
- Presentations and Projects

21st Century Skills

X	Creativity	**X**	Critical Thinking	**X**	Communication	**X**	Collaboration
X	Skills	**X**	Information Literacy	**X**	Media Literacy		

Interdisciplinary Connections

Common Core Standards - RH.11-12.1-10, WHST.11-12.1-10

Technology Integration

- Laptop and Projector
- PowerPoint Presentations
- Teacher's Blog
- Professors' videos
- **8.1 Educational Technology:** All students will use digital tools to access, manage, evaluate, and synthesize information in order to solve problems individually and collaboratively and to create and communicate knowledge. **B. Creativity and Innovation; C. Communication and Collaboration**

DEPARTMENT Social Studies COURSE: Advance Placement Microeconomics/Macroeconomics

Time Frame	**2 Weeks**

Topic

Unit 5: Monetary and Fiscal Policy Interactions (Ch. 34, Principles of Economics Mankiw, 5th ed.))

Essential Questions

- When do fiscal policy and monetary policy work together and when do they contradict?
- What are the sources of economic growth?

Enduring Understandings

- There are lags associated with monetary and fiscal policy making.
- In the short run monetary and fiscal policies interact to impact the output, price level, unemployment, interest rates and investment.
- There are direct and indirect effects of government budget deficits referred to as crowding out.
- The *Phillips curve* is an empirical relationship that shows the relationship between the unemployment rate and the rate at which wages change; changes in wages were inversely related to the unemployment rate.
- There is a difference between the short-term fluctuations in real GDP that result from the business cycle and the long-run growth in real GDP.
- Explain that for growth to occur, economic agents — producers and consumers — must have the appropriate incentives.

Alignment to NJCCCS

NJCCCS **– 9.2.12.F.1, 9.2.12.F.2, 9.2.12.F.3, 9.2.12.F.4**

Key Concepts and Skills

The student should be able to:

- Explain inside and outside lags for monetary and fiscal policy.
- Define the crowding-out effect.
- Define the Barro-Ricardo effect.
- Explain the effects of crowding-out within the short-run aggregate demand and aggregate supply model.
- Explain how the Barro-Ricardo effect can reduce the crowding-out effect while simultaneously reducing the effects of the fiscal policy.
- Demonstrate the use of monetary policy to lessen or reinforce the crowding-out effect.
- Practice analytical skills with the AD and SRAS model and the money market.
- Analyze the effects of combined monetary and fiscal policies on the loanable funds market.
- Define the Phillips curve.
- Demonstrate the short-run trade-off between unemployment and inflation. Show how monetary and fiscal policy can help the economy move along the short-run Phillips curve.
- Show how the short-run Phillips curve becomes a vertical long-run Phillips curve.
- Describe long-term growth trends in the United States.
- Explain growth accounting showing that to achieve increased economic growth, economies must increase the growth rate of capital stock or increase technological development.
- Explain how policy can help achieve increases in the growth rate of the capital stock and increases in technological development.
- Relate economic growth to the long-run aggregate supply curve and the production possibilities curve.

Learning Activities

- Chapter Readings and Notes

- Daily Activities
- Open-ended Questions
- Political Cartoons

Assessments

- Section Quizzes
- Chapter Tests
- Do nows
- Essays
- Open-ended questions
- Presentations and Projects

21st Century Skills

X	Creativity	**X**	Critical Thinking	**X**	Communication	**X**	Collaboration
X	Skills	**X**	Information Literacy	**X**	Media Literacy		

Interdisciplinary Connections

Common Core Standards - RH.11-12.1-10, WHST.11-12.1-10

Technology Integration

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DEPARTMENT_Social Studies_____________ COURSE: Advance Placement Microeconomics/Macroeconomics

Time Frame	2 Weeks

Topic

Unit 6: International Economics (Ch. 31-32, Principles of Economics Mankiw, 5th ed.))

Essential Questions

- Why do the majority of economists favor free trade?
- How do trade policies and domestic stabilization policies affect output and prices?

Enduring Understandings

- Comparative advantage, specialization, and the gains from trade motivate international trade.
- Trade barriers limit the gains from trade and tend to reduce competition and economic efficiency.
- The balance of payments helps us analyze the impact of our trade policies.
- Trade policies and economics events affect the international value of the dollar.

Alignment to NJCCCS

NJCCCS – **9.2.12.F.1, 9.2.12.F.2, 9.2.12.F.3, 9.2.12.F.4**

Key Concepts and Skills

The student should be able to:

- Define comparative advantage, terms of trade and gains from trade.
- Explain comparative advantage using opportunity costs.
- Demonstrate that specialization and trade allow consumption possibilities to exceed production possibilities.
- Determine the terms of trade.
- Define tariffs, quotas and regulations to limit trade.
- Describe policies that are intended to protect the domestic economy from the effects of international trade.
- Explain the effects of tariffs, quotas and subsidies on domestic production and the prices domestic consumers pay.
- Explain the arguments for and against protectionist policies.
- Define current account, capital account, balance of trade, balance of payments, debit and credit.
- Explain how international trade is financed.
- Describe a country's balance of payment accounts.
- Explain how international transactions affect the balance of trade and the balance of payments.
- Explain how the international value of the dollar is determined.
- Analyze how economic events affect the international value of the dollar.
- Explain the effects of monetary and fiscal policy on foreign exchange markets.
- Explain the effects of changes in the international value of the dollar on foreign trade.
- Explain the effects of changes in net exports on domestic aggregate demand.

Learning Activities

- Chapter Readings and Notes
- Daily Activities
- Open-ended Questions
- Political Cartoons

Assessments

- Section Quizzes
- Do nows
- Essays

- Open-ended questions
- Chapter Tests
- Presentations and Projects

21st Century Skills							
X	Creativity	**X**	Critical Thinking	**X**	Communication	**X**	Collaboration
X	Skills	**X**	Information Literacy	**X**	Media Literacy		

Interdisciplinary Connections

Common Core Standards - RH.11-12.1-10, WHST.11-12.1-10

Technology Integration

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