

Macroeconomics Course Breakdown

Unit 1: Basic Economic Concepts

Topic 1.1- Scarcity

- Scarcity
- Microeconomics vs. Macroeconomics
- Opportunity Cost and Trade-offs
- Four Factors of Production

Topic 1.2- Production Possibilities Curve

- Efficiency and Opportunity Cost
- Law of Increasing Opportunity Costs
- Shifters of the PPC
- Capital Goods and Future Growth

Topic 1.3- Comparative Advantage and Trade

- Absolute Advantage
- Comparative Advantage
- Terms of Trade

Topic 1.4- Demand

- Law of Demand
- Substitution Effect and Income Effect
- Law of Diminishing Marginal Utility
- Quantity Demanded vs. Demand
- Shifters (Determinants) of Demand

Topic 1.5- Supply

- Law of Supply
- Quantity Supplied vs. Supply
- Shifters (Determinants) of Supply

Topic 1.6- Market Equilibrium and Changes

- Equilibrium Price and Quantity
- Disequilibrium: Surplus and Shortage
- Single Shifts
- Double Shifts
- Price Controls: Floors and Ceilings

Unit 2: Economic Indicators and the Business Cycle

Topic 2.1- Circular Flow and GDP

- Product Market and Factor Market
- Private and Public Sector and Transfer Payments
- Gross Domestic Product (GDP)
- Expenditures Approach ($C+I+G+X_n$)
- Income Approach
- Value-Added Approach

Topic 2.2- Limitations of GDP

- Intermediate Goods
- Nonmarket Transactions
- Household Production

Topic 2.3- Unemployment

- Labor Force and Unemployment Rate
- Frictional, Structural, & Cyclical Unemployment
- Natural Rate of Unemployment (NRU)
- Discouraged Workers

Topic 2.4- Price Indices and Inflation

- Inflation, Deflation, and Disinflation
- Consumer Price Index (CPI)
- Substitution Bias and Limitations of CPI

Topic 2.5- Costs of Inflation

- Helped v. Hurt By Unanticipated Inflation
- Effects of Hyperinflation

Topic 2.6- Real v. Nominal GDP

- Real GDP and Nominal GDP
- GDP Deflator

Topic 2.7- Business Cycle

- Four Phases of the Business Cycle
- Negative Output Gap (Recessionary Gap)
- Positive Output Gap (Inflationary Gap)

Unit 3: National Income and Price Determination

Topic 3.1- Aggregate Demand (AD)

- Aggregates and Price Level
- Wealth, Interest Rate, and Trade Effect
- Shifters of Aggregate Demand

Topic 3.2- Multipliers

- Marginal Propensity to Consumer (MPC)
- Marginal Propensity to Save (MPS)
- Expenditures Multiplier
- Tax Multiplier and Disposable Income

Topic 3.3- Short-Run Aggregate Supply (SRAS)

- Sticky Wages and Prices
- Shifters of Short-Run Aggregate Supply
- Inflationary Expectations

Topic 3.4- Long-Run Aggregate Supply (LRAS)

- Maximum Sustainable Capacity
- Shifters of Long-Run Aggregate Supply

Topic 3.5- Equilibrium in the AD-AS Model

- Full Employment
- Negative and Positive Output Gaps

Topic 3.6- Changes in the AD-AS Model

- Positive and Negative Demand Shocks
- Positive and Negative Supply Shocks
- Demand-Pull and Cost-Push Inflation

Topic 3.7- Long-Run Self-Adjustment

- Flexible Wages and Prices
- Economic Growth

Topic 3.8- Fiscal Policy

- Discretionary Fiscal Policy
- Expansionary v. Contractionary Policy
- Autonomous Consumption
- Time Lags

Topic 3.9- Automatic Stabilizers

- Non-Discretionary Fiscal Policy
- Social Service Programs and Taxes

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Unit 4: Financial Sector

Topic 4.1- Financial Assets

- Interest Rates, Liquidity, and Risk
- Bonds and Bond Prices

Topic 4.2- Nominal v. Real Interest Rates

- Lenders and Borrowers
- Inflation and Interest Rates

Topic 4.3- Measurements and Functions of Money

- Barter System and Coincidence of Wants
- Three Functions of Money
- Money Classifications (M0, M1, and M2)
- The Monetary Base

Topic 4.4- Banking and the Money Supply

- Fractional Reserve System
- Bank Balance Sheets and Demand Deposits
- Required Reserves and Excess Reserves
- Money Multiplier

Topic 4.5- The Money Market

- Demand and Supply of Money
- Central Banks and The Federal Reserve

Topic 4.6- Monetary Policy

- Expansionary v. Contractionary Policy
- Open-Market Operations and Discount Rate
- Federal Funds Rate
- Ample Reserve vs Limited Reserve MP

Topic 4.7- The Loanable Funds Market

- Savers and Borrowers
- National Savings and Public & Private Savings
- Loanable Funds Shifters

Unit 5: Long-Run Consequences of Stabilization Policies

Topic 5.1- Fiscal and Monetary Policy Actions

- Short-Run Policy Combinations

Topic 5.2- The Phillips Curve

- Short-Run Trade Offs
- Long-Run Phillips Curve (LRPC)

Topic 5.3- Money Growth and Inflation

- Quantity Theory of Money & Velocity of Money
- Long-Run Neutrality of Money

Topic 5.4- Deficits and the National Debt

- Budget Deficit/Surplus & National Debt

Topic 5.5- Crowding Out

- Private Investment and Loanable Funds
- Short-Run and Long-Run Impact

Topic 5.6- Economic Growth

- Physical and Human Capital and Productivity
- GDP per Capita
- Aggregate Production Function

Topic 5.7- Public Policy and Economic Growth

- Public Investment and Infrastructure
- Supply-Side Fiscal Policies

Unit 6: Open Economy- International Trade and Finance

Topic 6.1- Balance of Payments

- Closed v. Open Economies
- Current Account (CA)
- Capital and Financial Account (CFA)
- Balance of Trade and Trade Surplus/Deficit
- Financial Capital Outflow and Inflow

Topic 6.2- Exchange Rates

- Appreciation and Depreciation

Topic 6.3- The Foreign Exchange Market

- Demand and Supply of Currency
- Shifters of Currency Demand and Supply

Topic 6.4- Effect of Changes in Policies and Conditions

- Effects of Tariffs and Quotas
- Fixed Exchange Rate

Topic 6.5- Changes in Foreign Exchange and Net Exports

- Effects on Net Exports
- Connection to AD-AS Model

Topic 6.6- Real Interest Rates and Capital Flows

- Relative Interest Rates
- Connection to Loanable Funds Market

Essential Graphs (Overview)

1. Production Possibilities Curve
2. Aggregate Demand and Supply and LRAS
3. The Money Market
4. The Loanable Funds Market
5. The Phillips Curve
6. Foreign Exchange (FOREX)

Key Skills

1. Identify comparative advantage and terms of trade
2. Calculate GDP and use the GDP Deflator
3. Identify who is helped and hurt by inflation
4. Use the shifters of aggregate demand and supply
5. Calculate and use spending multiplier
6. Explain how economy self-adjusts in the long-run
7. Read and manipulate bank balance sheets
8. Calculate and use the money multiplier
9. Explain open market operations
10. Explain short-run and long-run effects of investment
11. Categorize transactions with balance of payments
12. Explain how exchange rates affect net exports