

# 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

# Macroeconomics Course Breakdown

## 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