



# Macroeconomics for AP<sup>®</sup> Courses Crosswalk



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# Unit 1: Basic Economics Concepts

5-10% AP Exam Weighting, ~8-10 Class Periods

[Click here](#) to access this unit's supporting Google Slides document. You will be asked to make a copy and you can modify as needed for your students.

The Big Ideas covered in Unit 1 include the following:

**BIG IDEA 2: Markets** **MKT**

- Why do people and countries trade with one another?
- What determines the market price for a good or service?

**BIG IDEA 3: Macroeconomic Models** **MOD**

- Why is there no such thing as a free lunch?

| Unit 1 Topics   | Suggested OpenStax Sections/Pages   |
|---|---|
| <p><b>1.1 Scarcity</b></p> <p><b>Enduring Understanding: MOD-1</b><br/> <i>The production possibilities curve (PPC) model is used to demonstrate the full employment level of output and to illustrate changes in full employment.</i></p> <p><b>LO:</b> MOD-1.A<br/> <b>EK:</b> MOD-1.A.1</p>  | <p>Definition and Examples:</p> <ul style="list-style-type: none"> <li>• Ch. 1.1 - Scarcity, Economic Resources: p. 10 (PDF 18), p. 11 (PDF 19) <a href="#">Link It Up</a></li> <li>• Ch. 1.3 - Economic Models: pp.15-17 (PDF 23-25)</li> <li>• Ch. 1.4 - Economic Systems: pp.18-22 (PDF 26-30)</li> </ul> <p><b>Suggested Skill: Principles and Models</b></p> <ul style="list-style-type: none"> <li>• Self-Check Questions: p. 24 (PDF 32-33) - #1, 3, 10, 18, 19, 20, 27.</li> </ul>  |
| <p><b>1.2 Opportunity Cost and the Production Possibilities Curve (PPC)</b></p> <p><b>Enduring Understanding: MOD-1</b><br/> <i>The production possibilities curve (PPC) model is used to demonstrate the full employment level of output and to illustrate changes in full employment.</i></p> <p><b>LO:</b> MOD-1.B<br/> <b>EK:</b> MOD-1.B.1, MOD-1.B.2, MOD-1.B.3, MOD-1.B.4, MOD-1.B.5</p> | <p>Scarcity, Choice, Opportunity Cost:</p> <ul style="list-style-type: none"> <li>• Ch. 2.1 - pp. 28-33 (PDF 36-41)</li> <li>• Ch. 2.2 - Production Possibilities Curve (PPC): pp. 33-38 (PDF 41-46)</li> <li>• Khan Academy: <a href="#">The Production Possibilities Curve Model</a></li> </ul> <p><b>Suggested Skill: Graphing and Visuals</b></p> <ul style="list-style-type: none"> <li>• pp. 39-40 (PDF 47-48) "Clear It Up"</li> <li>• Self-Check Questions: p. 43 (PDF 51) #2.</li> <li>• Review Questions: pp. 43-44 (PDF 51-52) #9, 10, 12.</li> <li>• Problems: p. 44 (PDF 52) #24-27</li> </ul> |



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| <p><b>1.3 Comparative Advantage and Gains from Trade</b></p> <p><b>Enduring Understanding: MKT-1</b><br/><i>Production and consumption increase by engaging in trade.</i></p> <p><b>LO:</b> MKT-1.A, MKT-1.B<br/><b>EK:</b> MKT-1.A.1, MKT-1.A.2, MKT-1.B.1, MKT-1.B.2</p>  | <p>Comparative Advantage Definition:</p> <ul style="list-style-type: none"> <li>Ch. 2.2 - pp. 37-38 (PDF 45-46),</li> <li>Ch. 9.3 - Example on pp. 227-228 (PDF 235-236).</li> </ul> <p><b>OpenStax AP MICROECONOMICS TEXT:</b></p> <ul style="list-style-type: none"> <li>International Trade: pp. 440-445 (PDF 448-453), pp. 450-454 (PDF 458-462)</li> </ul> <p>HERE ARE VIDEO LINKS FOR EXPLANATION:</p> <ul style="list-style-type: none"> <li>ACDC Economics: <a href="#">Comparative Advantage Explained</a></li> <li>Macroeconomics Models (mjmfoodie): <a href="#">Episode 34: Comparative Advantage &amp; Trade</a></li> </ul> <p><b>Suggested Skill: Principles and Models</b></p> <ul style="list-style-type: none"> <li>pp. 227-228 (PDF 235-236) This is an example on how to calculate Comparative Advantage.</li> </ul> <p><b>OpenStax AP MICROECONOMICS TEXT:</b></p> <ul style="list-style-type: none"> <li>International Trade: Ch. 19.1 - pp. 440-445 (PDF 448-453), Ch. 19.4 - pp. 450-454 (PDF 458-462).</li> <li>p. 458 (PDF 466) #26,30 [practice with calculating Absolute, Comparative Advantage and terms of trade]</li> </ul> |
| <p><b>1.4 Demand</b></p> <p><b>Enduring Understanding: MKT-2</b><br/><i>In a competitive market, demand for and supply of a good or service determine the equilibrium price.</i></p> <p><b>LO:</b> MKT-2.A, MKT-2.B<br/><b>EK:</b> MKT-2.A.1, MKT-2.B.1</p>   | <p>Definitions and basic terminology, Quantity Demanded:</p> <ul style="list-style-type: none"> <li>Ch. 3.1 - pp. 46-48 (PDF 54-56)</li> <li>Ch. 3.2 - Changes in demand (Shifts of the curve) pp. 52-57 (PDF 60-65)</li> </ul> <p><b>Suggested Skill: Graphing and Visuals</b></p> <p>Student practice determining the difference between Quantity Demanded (Price effect) &amp; Demand, and graphing practice.</p> <ul style="list-style-type: none"> <li>p. 78 (PDF 85) #13, 14, 20, 23, 26</li> <li>p. 79 (PDF 86) #39, 40, 41</li> </ul>   |
| <p><b>1.5 Supply</b></p> <p><b>Enduring Understanding: MKT-2</b><br/><i>In a competitive market, demand for and supply of a good or service determine the equilibrium price.</i></p> <p><b>LO:</b> MKT-2.C, MKT-2.D<br/><b>EK:</b> MKT-2.C.1, MKT-2.D.1</p>   | <p>Definitions and basic terminology, Quantity Supplied:</p> <ul style="list-style-type: none"> <li>Ch. 3.1 - pp. 48-50 (PDF 56-58)</li> <li>Changes in Supply (Shifts of the curve) Ch. 3.2 - pp. 57-61 (PDF 65-69)</li> </ul> <p><b>Suggested Skill: Graphing and Visuals</b></p> <p>Practice determining the difference between Quantity Supplied &amp; Supply, graphing practice.</p> <ul style="list-style-type: none"> <li>p. 78 (PDF 85) #15, 21, 24, 26</li> <li>p. 79 (PDF 86) #42</li> </ul>  |
| <p><b>1.6 Market Equilibrium, Disequilibrium, and Changes in Equilibrium</b></p> <p><b>Enduring Understanding: MKT-2</b><br/><i>In a competitive market, demand for and supply of a good or service determine the equilibrium price.</i></p> <p><b>LO:</b> MKT-2.E, MKT-2.F, MKT-2.G<br/><b>EK:</b> MKT-2.E.1, MKT-2.F.1, MKT-2.G.1</p> | <p>Definitions and basic terminology:</p> <ul style="list-style-type: none"> <li>Ch. 3.1 - pp. 50-51 (PDF 58-59)</li> </ul> <p>Changes in Equilibrium:</p> <ul style="list-style-type: none"> <li>Ch. 3.3 - pp. 61-67 (PDF 69-75)</li> </ul> <p>Price Floors/Ceilings:</p> <ul style="list-style-type: none"> <li>Ch. 3.4 - pp. 67-70 (PDF 75-78)</li> </ul> <p><b>Suggested Skill: Graphing and Visuals</b></p> <p>Practice graphing, shifting curves, determining surplus/shortage and price floor/ceilings:</p>  |

- p. 78 (PDF 86) #16, 18, 25, 28
- p. 79 (PDF 87) #53, 55, 56, 57

# Unit 2: Economic Indicators and the Business Cycle

12-17% AP Exam Weighting, ~9-11 Class Periods

[Click here](#) to access this unit's supporting Google Slides document. You will be asked to make a copy and you can modify as needed for your students.

The Big Ideas covered in Unit 2 include the following:

BIG IDEA 1: *Economic Measurements* **MEA**

- How is one person's spending another person's income?
- How do we know if an economy is doing well or poorly?

| Unit 2 Topics   | Suggested OpenStax Sections/Pages   |
|---|---|
| <p><b>2.1 The Circular Flow and GDP</b></p> <p><b>Enduring Understanding: MEA-1</b><br/> <i>An economy's performance can be measured by different indicators such as gross domestic product (GDP), the inflation rate, and the unemployment rate.</i></p> <p><b>LO:</b> MEA-1.A<br/> <b>EK:</b> MEA-1.A.1, MEA-1.A.2, MEA-1.A.3</p> | <p>Circular Flow:</p> <ul style="list-style-type: none"> <li>• Ch. 1.3 - pp. 16-17 (PDF 24-25)<br/>           And...<a href="#">Circular Flow Video by Jason Welker</a></li> <li>• ACDC Economics video: <a href="#">The Circular Flow</a></li> </ul> <p>Economic Goals:</p> <ul style="list-style-type: none"> <li>• Ch. 5 - p. 108 (PDF 116)<br/>           GDP: <b>Bring It Home</b>, p. 107 (PDF 115)</li> <li>• Investopedia: <a href="#">Gross Domestic Product in Total</a></li> <li>• Definition of GDP: <a href="#">ACDC Economics – GDP &amp; Economic Growth</a> or <a href="#">mjmfoodie - GDP</a></li> </ul> <p>Components of GDP:</p> <ul style="list-style-type: none"> <li>• Ch. 5.1 - pp. 109-116 (PDF 117-124)</li> <li>• Calculating GDP: pp. 117-118, <b>Work it Out</b> (PDF 125-126)</li> </ul> <p><b>Suggested Skill: Principles and Models</b></p> <ul style="list-style-type: none"> <li>• p. 133, #1, 2 (PDF 141)</li> <li>• p. 134, #12, 14 (PDF 142)</li> </ul> |
| <p><b>2.2 Limitations of GDP</b></p> <p><b>Enduring Understanding: MEA-1</b><br/> <i>An economy's performance can be measured by different</i></p>  | <p>How Well Does GDP Measure Well Being (Limitations)?</p> <ul style="list-style-type: none"> <li>• Ch. 5.5 - pp.129-130 (PDF 137-138)</li> <li>• ACDC Economics: <a href="#">Limitations of GDP</a></li> <li>• Khan Academy: <a href="#">Limitations of GDP Lesson</a></li> </ul> <p><b>Suggested Skill: Principles and Models</b></p>   |



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| <p><i>indicators such as gross domestic product (GDP), the inflation rate, and the unemployment rate.</i></p> <p><b>LO:</b> MEA.1.B<br/><b>EK:</b> MEA-1.B.1</p>   | <ul style="list-style-type: none"> <li>• p. 134, #18, 19 (PDF 142)</li> <li>• p. 135, #26, 32, 33 (PDF 143)</li> </ul>   |
| <p><b>2.3 Unemployment</b></p> <p><b>Enduring Understanding: MEA-1</b><br/><i>An economy's performance can be measured by different indicators such as gross domestic product (GDP), the inflation rate, and the unemployment rate.</i></p> <p><b>LO:</b> MEA.1.C, MEA-1.D, MEA-1.E<br/><b>EK:</b> MEA-1.C.1, MEA-1.C.2, MEA-1.D.1, MEA-1.E.1, MEA-1.E.2, MEA-1.E.3, MEA-1.E.4</p> | <p>What is Unemployment??</p> <ul style="list-style-type: none"> <li>• pp. 163-164 (PDF 171-172) <b>Bring It Home</b><br/><a href="#">Unemployment Video</a> (mjmfoodie)</li> </ul> <p>The Labor Force and Calculating the Unemployment Rate:</p> <ul style="list-style-type: none"> <li>• Ch. 7.1 – pp. 164-168 (PDF 172-176)<br/><b>Link It Up:</b> <a href="#">Bureau of Labor Statistics</a> p. 165 (PDF 173)<br/>Example: <b>Work It Out</b> p.166 (PDF 174)</li> <li>• Labor Force Participation Rate: p. 167 (PDF 175)</li> <li>• Changes in Employment: pp. 168-172 (PDF 176-180)</li> </ul> <p>Types of Unemployment:</p> <ul style="list-style-type: none"> <li>• Ch. 7.4 p. 178-185 (PDF 186-193)<br/>Mjmfoodie video: <a href="#">Types of Unemployment</a></li> <li>• <b>Link It Up:</b> <a href="#">Federal Reserve Economic Data</a></li> <li>• Natural Rate of Unemployment – pp. 180-181 (PDF 188-189)</li> <li>• Example: <b>Bring It Home</b> p.185 (PDF 193)</li> </ul> <p><b>Suggested Skill: Principles and Models</b></p> <ul style="list-style-type: none"> <li>• p. 187 ((PDF 195) #1, 2</li> <li>• p. 188 (PDF 196) #10, 11, 12, 16, 26, 27, 29, 42</li> </ul> |
| <p><b>2.4 Price Indices and Inflation</b></p> <p><b>Enduring Understanding: MEA-1</b><br/><i>An economy's performance can be measured by different indicators such as gross domestic product (GDP), the inflation rate, and the unemployment rate.</i></p> <p><b>LO:</b> MEA.1.F, MEA-1.G<br/><b>EK:</b> MEA.1.F.1, MEA.1.F.2, MEA.1.F.3, MEA.1.F.4, MEA-G.1</p>                   | <p>Consumer Price Index:</p> <ul style="list-style-type: none"> <li>• Ch. 8.2 pp. 196-200 (PDF 204-208)<br/><a href="#">Inflation &amp; Price Indexes</a> video from mjmfoodie</li> </ul> <p>Definition of Inflation:</p> <ul style="list-style-type: none"> <li>• Ch. 8.1, pp. 192-195 (PDF 200-203)</li> <li>• How to Calculate Rate of Inflation – <b>Work It Out</b> pp. 193-194 (PDF 201-202)</li> <li>• GDP Deflator: Ch. 5.2, pp. 119-120 (PDF 127-128)</li> </ul> <p><b>Suggested Skill: Interpretation</b></p> <ul style="list-style-type: none"> <li>• p. 216 #1-3 (PDF 224)</li> <li>• p. 217 #13, 18 (PDF 225)</li> </ul>  |
| <p><b>2.5 Costs of Inflation</b></p> <p><b>Enduring Understanding: MEA-1</b><br/><i>An economy's performance can be measured by different indicators such as gross domestic product (GDP), the inflation rate, and the unemployment rate.</i></p> <p><b>LO:</b> MEA.1.H<br/><b>EK:</b> MEA.1.H.1</p>   | <p>Unexpected (Unanticipated) Inflation:</p> <ul style="list-style-type: none"> <li>• Ch. 8.4, 8.5, p. 206-212 (PDF 214-220)</li> <li>• Kahn Academy: <a href="#">Costs of Inflation Lesson</a></li> </ul> <p><b>Suggested Skill: Manipulation</b></p> <ul style="list-style-type: none"> <li>• p. 217 #19, 30, 31 (PDF 225)</li> <li>• p. 218 #36 (PDF 226)</li> </ul>  |
| <p><b>2.6 Real v. Nominal GDP</b></p> <p><b>Enduring Understanding: MEA-1</b><br/><i>An economy's performance can be measured by different</i></p>   | <p>Definition of REAL GDP: <a href="#">mjmfoodie – Real GDP</a></p> <ul style="list-style-type: none"> <li>• Calculate Nominal and Real GDP: Ch. 5.2 - pp. 118-121 (PDF 126-129)</li> <li>• Jason Welker: <a href="#">Real GDP and the GDP Deflator</a></li> </ul>   |

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| <p><i>indicators such as gross domestic product (GDP), the inflation rate, and the unemployment rate.</i></p> <p><b>LO:</b> MEA.1.I, MEA-1.J<br/> <b>EK:</b> MEA.1.I.1, MEA-1.I.2, MEA-1.J.1, MEA-1.J.2</p>  | <ul style="list-style-type: none"> <li>You Will Love Economics: <a href="#">Unit 1.3 - Real and Nominal GDP</a></li> <li>Per Capita GDP: Ch. 5.4 - pp. 128-129 (PDF 136-137)</li> <li>Marginal Revolution University: <a href="#">Real GDP Per Capita and the Standard of Living</a></li> </ul> <p><b>Suggested Skill: Principles and Models</b></p> <ul style="list-style-type: none"> <li><b>Work It Out</b> – pp. 122-123 (130-131)</li> <li>p. 134 #3, 8, 15, 16 (PDF 142)</li> </ul> |
| <p><b>2.7 Business Cycles</b></p> <p><b>Enduring Understanding: MEA-2</b><br/> <i>The economy fluctuates between periods of expansion and contraction in the short run, but economic growth can occur in the long run.</i></p> <p><b>LO:</b> MEA-2.A<br/> <b>EK:</b> MEA-2.A.1, MEA-2.A.2, MEA-2.A.3, MEA-2.A.4, MEA-2.A.5</p> | <p>Def. of Business Cycles:</p> <ul style="list-style-type: none"> <li>Ch. 5.3 pp. 124-126 (PDF 132-134)</li> <li>Mjmfodie video: <a href="#">Business Cycles</a></li> </ul> <p><b>Suggested Skill: Principles and Models</b></p> <ul style="list-style-type: none"> <li>p. 134 #4-7 (PDF 142)</li> </ul>   |

# Unit 3: National Income and Price Determination

17-27% AP Exam Weighting, ~10-12 Class Periods

[Click here](#) to access this unit's supporting Google Slides document. You will be asked to make a copy and you can modify as needed for your students.

The Big Ideas covered in Unit 3 include the following:

BIG IDEA 3: *Macroeconomic Model* **MOD**

- How do spending and production decisions made by households, businesses, the government, and the rest of the world affect an economy?

BIG IDEA 4: *Macroeconomic Policies* **POL**

- How do policy decisions regarding taxation and government spending affect an economy?



| Unit 3 Topics  | Suggested OpenStax Sections/Pages   |
|--|---|
| <p><b>3.1 Aggregate Demand (AD)</b></p> <p><b>Enduring Understanding: MOD-2</b><br/> <i>Economists use the aggregate demand–aggregate supply model to represent the relationship between the price level and aggregate output in an economy and to illustrate how output, employment, and the price level respond to macroeconomic shocks.</i></p> <p>LO: MOD-2.A<br/>           EK: MOD-2.A.1, MOD-2.A.2, MOD-2.A.3</p>                                 | <p>Definition of Aggregate Demand (AD):<br/>           Slope caused by - Wealth effect, Interest rate effect, exchange rate effect</p> <ul style="list-style-type: none"> <li>Ch. 10.2, pp. 248-249 (PDF 256-257)</li> </ul> <p>Shifts of the AD curve:</p> <ul style="list-style-type: none"> <li>Ch. 10.4, pp. 254-258 (PDF 262-266)<br/> <a href="#">Consumer Confidence Chart</a></li> <li>ACDC Economics: <a href="#">Aggregate Demand</a></li> </ul> <p><b>Suggested Skill: Graphing and Visuals</b></p> <ul style="list-style-type: none"> <li>pp. 265-266 (PDF 273-274), #17, 22, 23, 30, 31</li> </ul>   |
| <p><b>3.2 Multipliers</b></p> <p><b>Enduring Understanding: MOD-2</b><br/> <i>Economists use the aggregate demand–aggregate supply model to represent the relationship between the price level and aggregate output in an economy and to illustrate how output, employment, and the price level respond to macroeconomic shocks.</i></p> <p>LO: MOD-2.B<br/>           EK: MOD-2.B.1, MOD-2.B.2, MOD-2.B.3, MOD-2.B.4, MOD-2.B.5</p>                     | <p>Multiplier Effect:</p> <ul style="list-style-type: none"> <li>Ch. 11.3, pp. 293-297 (PDF 301-305)<br/>           ACDC Economics: <a href="#">The Multiplier Effect (MPC, MPS)</a><br/> <a href="#">The Multiplier Effect and Tax Multiplier</a></li> </ul> <p><b>Suggested Skill: Manipulation</b></p> <ul style="list-style-type: none"> <li>p. 306, (PDF 314) #21, 27, 28, 29, 30.</li> <li>Kahn Academy: <a href="#">Expenditure and tax multiplier lesson/problems</a></li> </ul>  |
| <p><b>3.3 Short-Run Aggregate Supply (SRAS)</b></p> <p><b>Enduring Understanding: MOD-2</b><br/> <i>Economists use the aggregate demand–aggregate supply model to represent the relationship between the price level and aggregate output in an economy and to illustrate how output, employment, and the price level respond to macroeconomic shocks.</i></p> <p>LO: MOD-2.C, MOD-2.D<br/>           EK: MOD-2.C.1, MOD-2.C.2, MOD-2.C.3, MOD-2.D.1</p> | <p>Definitions of Aggregate Demand (AD):</p> <ul style="list-style-type: none"> <li>Ch. 10.2, pp. 246-247 (PDF 254-255)</li> </ul> <p>Shifts in SRAS:</p> <ul style="list-style-type: none"> <li>Ch. 10.3, pp. 252-254 (PDF 260-262)<br/>           ACDC Economics: <a href="#">SRAS Video</a></li> </ul> <p>Sticky Prices and Wages:</p> <ul style="list-style-type: none"> <li>Ch. 11.2 pp. 276-278 (PDF 284-286)</li> </ul> <p><b>Suggested Skill: Graphing and Visuals</b></p> <ul style="list-style-type: none"> <li>pp. 265-266 (PDF 274-275), #21, 24, 25, 27, 28.</li> <li>pp. 308-309 (PDF 315-316) #16, 37.</li> </ul>                            |
| <p><b>3.4 Long-Run Aggregate Supply (LRAS)</b></p> <p><b>Enduring Understanding: MOD-2</b><br/> <i>Economists use the aggregate demand–aggregate supply model to represent the relationship between the price level and aggregate output in an economy and to illustrate how output, employment, and the price level respond to macroeconomic shocks.</i></p> <p>LO: MOD-2.E, MOD-2.F<br/>           EK: MOD-2.E.1, MOD-2.F.1, MOD-2.F.2</p>             | <p>Long Run Aggregate Supply (LRAS)</p> <ul style="list-style-type: none"> <li>Ch. 10.2 pp. 247-248, 252 (PDF 254-255, 259)</li> <li>Ch. 10.3 pp. 252-254 (PDF 259-260)</li> </ul> <p>AS/AD/LRAS Video: ACDC Economics</p> <ul style="list-style-type: none"> <li><a href="#">Long-Run Aggregate Supply, Recession, and Inflation- Macro Topic 3.4 and 3.5</a></li> <li><a href="#">Long-run aggregate supply   Aggregate demand and aggregate supply   Macroeconomics   Khan Academy</a></li> </ul> <p><b>Suggested Skill: Principles and Models</b></p> <ul style="list-style-type: none"> <li><a href="#">Khan Academy Video and Practice</a></li> </ul> |



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| <p><b>3.5 Equilibrium in the Aggregate Demand–Aggregate Supply (AD–AS) Model</b></p> <p><b>Enduring Understanding: MOD-2</b><br/> <i>Economists use the aggregate demand–aggregate supply model to represent the relationship between the price level and aggregate output in an economy and to illustrate how output, employment, and the price level respond to macroeconomic shocks.</i></p> <p><b>LO:</b> MOD-2.G<br/> <b>EK:</b> MOD-2.G.1, MOD-2.G.2, MOD-2.G.3</p> | <p>AD/AD Model:</p> <ul style="list-style-type: none"> <li>Ch. 10.2 <b>Work It Out</b> pp. 249-251 (PDF 257-259)</li> <li>Equilibrium in the AD/AS Model pp. 251-253 (PDF 259-261)</li> <li>Ch. 10.pp. 253-260 (PDF 260-267)</li> <li>Mjmf foodie video: <a href="#">(Macro) Episode 24: AD &amp; AS</a></li> <li>ACDC Economics: <a href="#">Long-Run Aggregate Supply, Recession, and Inflation- Macro Topic 3.4 and 3.5</a></li> <li><a href="#">Macro 3.1 AD, AS, and LRAS (Additional Version)</a></li> </ul> <p>Khan Academy: <a href="#">The Aggregate Demand/Supply Model</a></p> <p>Recessionary/Inflationary Gaps:</p> <ul style="list-style-type: none"> <li>Ch. 11.1 pp. 272-273 (PDF 280-281)</li> </ul> <p><b>Suggested Skill: Graphing and Visuals</b></p> <ul style="list-style-type: none"> <li>Khan Academy Video/Lesson: <a href="#">Short run and long run equilibrium and the business cycle</a></li> <li>p. 306 (PDF 314) #25, 26.</li> </ul> |
| <p><b>3.6 Changes in the AD–AS Model in the Short Run</b></p> <p><b>Enduring Understanding: MOD-2</b><br/> <i>Economists use the aggregate demand–aggregate supply model to represent the relationship between the price level and aggregate output in an economy and to illustrate how output, employment, and the price level respond to macroeconomic shocks.</i></p> <p><b>LO:</b> MOD-2.H<br/> <b>EK:</b> MOD-2.H.1, MOD-2.H.2, MOD-2.H.3</p>                        | <p>Ch. 11.2 pp. 276-278 (PDF 284-286)</p> <ul style="list-style-type: none"> <li>Supply Shock: <a href="#">Wikipedia – Supply Shock</a></li> <li><a href="#">Investopedia – Supply Shock</a></li> <li>Jason Welker: <a href="#">Demand and Supply Shocks in the AD/AS Model</a></li> </ul> <p><b>Suggested Skill: Graphing and Visuals</b></p> <p>Practice AS/AS LRAS problems: <a href="#">AD/AS Practice Worksheet</a><br/> INVALID LINK</p>  |
| <p><b>3.7 Long-Run Self-Adjustment</b></p> <p><b>Enduring Understanding: MOD-2</b><br/> <i>Economists use the aggregate demand–aggregate supply model to represent the relationship between the price level and aggregate output in an economy and to illustrate how output, employment, and the price level respond to macroeconomic shocks.</i></p> <p><b>LO:</b> MOD-2.I<br/> <b>EK:</b> MOD-2.I.1, MOD-2.I.2</p>  | <p>Classical Economics Prospective</p> <ul style="list-style-type: none"> <li>Ch. 12.1 pp. 310-317 (PDF 318-325)</li> </ul> <p>You Will Love Economics Video: Macro</p> <ul style="list-style-type: none"> <li><a href="#">Unit 2.7 -- Natural Economic Adjustments</a></li> </ul> <p><b>Suggested Skill: Manipulation</b></p> <ul style="list-style-type: none"> <li>p. 326 (PDF 334) #5, 6, 7</li> </ul>  |
| <p><b>3.8 Fiscal Policy</b></p> <p><b>Enduring Understanding: POL-1</b><br/> <i>Fiscal and monetary policy have short-run effects on macroeconomic outcomes.</i></p> <p><b>LO:</b> POL-1.A, POL-1.B<br/> <b>EK:</b> POL-1.A.1, POL-1.A.2, POL-1.A.3, POL-1.A.4, POL-1.A.5, POL-1.A.6, POL-1.B.1</p>   | <p>Government and Fiscal Policy</p> <p>Tools of Fiscal Policy: Gov't Spending and Taxation</p> <ul style="list-style-type: none"> <li>Ch. 16.1 pp. 404-407, 16.2 pp. 407-408 (PDF 412-416)</li> </ul> <p>Changes in Gov't Spending and Aggregate Demand</p> <ul style="list-style-type: none"> <li>Ch. 16.4 pp. 412-415 (PDF 420-423)</li> <li>You Will Love Economics Video: <a href="#">Macro: Unit 3.2 -- The Effects of Fiscal Policy</a></li> </ul> <p>Spending Multiplier:</p> <ul style="list-style-type: none"> <li>Spending Multiplier = <math>1 / (1 - MPC) &gt;</math> Tax Multiplier</li> </ul>   |



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|   | <p><a href="#">(Fiscal Policy - the Tax Multiplier Video, Jason Welker)</a></p> <ul style="list-style-type: none"> <li>ACDC Econ Video: <a href="#">The Multiplier Effect- Macro Topic 3.2</a></li> </ul> <p>Problems with Fiscal Policy: Limitations and Lags</p> <ul style="list-style-type: none"> <li>Ch. 16.6 pp. 417-421 (PDF 425-429)</li> </ul> <p><b><u>Suggested Skill: Interpretation</u></b></p> <ul style="list-style-type: none"> <li>pp. 425-426 (PDF 433-434) #10, 11, 15-17.</li> <li>pp. 426-427 (PDF 434-435) #29, 30, 45, 53.</li> </ul> |
| <p><b>3.9 Automatic Stabilizers</b></p> <p><b>Enduring Understanding: POL-1</b><br/> <i>Fiscal and monetary policy have short-run effects on macroeconomic outcomes.</i></p> <p><b>LO:</b> POL-1.C<br/> <b>EK:</b> POL-1.C.1, POL-1.C.2, POL-1.C.3, POL-1.C.4</p> | <p>Automatic Stabilizers</p> <ul style="list-style-type: none"> <li>Ch. 16.5 pp. 415-417 (PDF 427-429)</li> <li>ACDC Econ Video: <a href="#">Automatic Stabilizers- Macro Topic 3.9</a></li> </ul> <p><b><u>Suggested Skill: Principles and Models</u></b></p> <ul style="list-style-type: none"> <li>pp. 425-427 (PDF 433-435) #13, 14, 31, 32, 46.</li> </ul>  |

## Unit 4: Financial Sector

18-23% AP Exam Weighting, ~11-13 Class Periods

[Click here](#) to access this unit's supporting Google Slides document. You will be asked to make a copy and you can modify as needed for your students.

The Big Ideas covered in Unit 4 include the following:

BIG IDEA 1: *Economic Measurements* **MEA**

- What is money?

BIG IDEA 2: *Markets* **MKT**

- How is the price of money determined?

BIG IDEA 4: *Macroeconomic Policies* **POL**

- How do banks create money?
- How do the actions of a country's central bank affect financial decision making and the economy?

| Unit 4 Topics               | Suggested OpenStax Sections/Pages   |
|-----------------------------|---|
| <b>4.1 Financial Assets</b> | <p>What are Financial Assets:</p> <ul style="list-style-type: none"> <li>Khan Academy: <a href="#">Financial Assets</a></li> <li>ACDC Econ Videos: <a href="#">Financial Assets- Macro</a></li> </ul> |



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| <p><b>Enduring Understanding: MEA-3</b><br/> <i>Money makes it possible to compare the value of goods and services, and interest rates provide a measure of the price of money that is borrowed or saved.</i></p> <p>LO: MEA-3.A<br/> EK: MEA-3.A.1, MEA-3.A.2, MEA-3.A.3, MEA-3.A.4</p>   | <p><a href="#">Topic 4.1</a></p> <ul style="list-style-type: none"> <li>• Khan Academy: <a href="#">How Bonds Work</a></li> </ul> <p>Bond Prices Inversely Related to Interest Rates:</p> <ul style="list-style-type: none"> <li>• <a href="#">Securities &amp; Exchange Commission, Investor Bulletin, 6/13</a></li> <li>• Khan Academy: <a href="#">Relationship between bond prices and interest rates</a></li> </ul> <p>Opportunity Cost of Holding Money</p> <ul style="list-style-type: none"> <li>• Khan Academy: <a href="#">Demand curve for money in the money market</a></li> </ul> <p>Time Value of Money</p> <ul style="list-style-type: none"> <li>• Khan Academy: <a href="#">Time Value of Money &amp; Present Value</a></li> <li>• ACDC Econ Videos: <a href="#">Time Value of Money- Macroeconomics</a></li> </ul> <p><b><i>Suggested Skill: Principles and Models</i></b></p> <p>Time Value of Money (Opportunity Cost of Money)</p> <ul style="list-style-type: none"> <li>• <a href="#">Finance in the Classroom.org Examples</a></li> </ul> |
| <p><b>4.2 Nominal v. Real Interest Rates</b></p> <p><b>Enduring Understanding: MEA-3</b><br/> <i>Money makes it possible to compare the value of goods and services, and interest rates provide a measure of the price of money that is borrowed or saved.</i></p> <p>LO: MEA-3.B<br/> EK: MEA-3.B.1, MEA-3.B.2, MEA-3.B.3</p>                             | <p>Nominal and Real Interest Rate:</p> <ul style="list-style-type: none"> <li>• Related to inflation - Ch. 8.4, pp. 206-7 (PDF 214-215)</li> <li>• Clear It Up: Ch. 14.5, pp. 365-366 (PDF 373-374)</li> <li>• ACDC Econ Videos: <a href="#">Nominal v. Real Interest Rates- Macro Topic 4.2</a></li> <li>• Investopedia: <a href="#">Nominal vs. Real Interest Rates</a></li> </ul> <p><b><i>Suggested Skill: Principles and Models</i></b></p> <p>Khan Academy Video and Practice: <a href="#">Nominal interest, real interest, and inflation calculations</a></p>  |
| <p><b>4.3 Definition, Measurement, and Functions of Money</b></p> <p><b>Enduring Understanding: MEA-3</b><br/> <i>Money makes it possible to compare the value of goods and services, and interest rates provide a measure of the price of money that is borrowed or saved.</i></p> <p>LO: MEA-3.C<br/> EK: MEA-3.C.1, MEA-3.C.2, MEA-3.C.3, MEA-3.C.4</p> | <p>What Is Money? Definition</p> <ul style="list-style-type: none"> <li>• Ch. 13.1 pp. 330-332 (PDF 338-340)</li> </ul> <p>Measuring Money<br/> Money Supply: M1 &amp; M2</p> <ul style="list-style-type: none"> <li>• Ch. 13.2 pp. 332-334 (PDF 340-342)</li> </ul> <p>Monetary Base: <a href="#">Federal Reserve</a></p> <p><b><i>Suggested Skill: Principles and Models</i></b></p> <ul style="list-style-type: none"> <li>• pp. 346-347 (PDF 354-355) #1, 2, 3, 4, 7, 10, 11, 23, 29.</li> </ul>  |
| <p><b>4.4 Banking and the Expansion of the Money Supply</b></p> <p><b>Enduring Understanding: POL-2</b><br/> <i>The banking system plays an important role in the expansion of the money supply.</i></p>   | <p>The Role of Banks:</p> <ul style="list-style-type: none"> <li>• Ch. 13.3 pp. 335-336 (PDF 343-344)</li> </ul> <p>Assets, Liabilities, and Bank Balance Sheets</p> <ul style="list-style-type: none"> <li>• Ch. 13.3 pp. 336-339 (PDF 344-347)</li> </ul> <p>Reserves and Excess Reserves:</p> <ul style="list-style-type: none"> <li>• Investopedia: <a href="#">Bank Reserves</a></li> <li>• Investopedia: <a href="#">Excess Reserves</a></li> </ul>   |

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| <p><b>LO:</b> POL-2.A<br/> <b>EK:</b> POL-2.A.1, POL-2.A.2, POL-2.A.3, POL-2.A.4, POL-2.A.5, POL-2.A.6, POL-2.A.7, POL-2.A.8</p>   | <p>How Banks Expand the Money Supply (Create Money)<br/> The Money Multiplier:</p> <ul style="list-style-type: none"> <li>• Ch. 13.4 pp. 340-343 (PDF 348-351)</li> <li>• <b>Link It Up:</b> <a href="#">The Money Myth</a></li> <li>• ACDC Econ: <a href="#">How Banks Create Money - Macro Topic 4.4</a></li> </ul> <p><b>Suggested Skill: Manipulation</b></p> <ul style="list-style-type: none"> <li>• <b>Work It Out:</b> p. 342 (PDF 350)</li> <li>• pp. 346-347 (PDF 354-355) #13, 14, 15, 19, 20, 26, 27, 30, 31.</li> </ul>  |
| <p><b>4.5 The Money Market</b></p> <p><b>Enduring Understanding: MKT-3</b><br/> <i>In the money market, demand for and supply of money determine the equilibrium nominal interest rate and influence the value of other financial assets.</i></p> <p><b>LO:</b> MKT-3.A, MKT-3.B, MKT-3.C, MKT-3.D<br/> <b>EK:</b> MKT-3.A.1, MKT-3.A.2, MKT-3.B.1, MKT-3.C.1, MKT-2.D.1</p> | <p>The Money Market:</p> <ul style="list-style-type: none"> <li>• ACDC Econ Videos: <ul style="list-style-type: none"> <li>◦ <a href="#">The Money Market (1 of 2)- Macro Topic 4.5</a></li> <li>◦ <a href="#">Money Supply Shifters (2 of 2)- Macro Topic 4.5</a></li> </ul> </li> <li>• You Will Love Economics Video: <a href="#">Macro: Unit 4.2 – The Money Market</a></li> <li>• Open Library University of Minnesota: <a href="#">The Money Market</a></li> <li>• Khan Academy: <a href="#">The Money Market Model</a></li> </ul> <p><b>Suggested Skill: Graphing and Visuals</b></p> <ul style="list-style-type: none"> <li>• Khan Academy: <a href="#">Lesson and Practice</a></li> </ul>  |
| <p><b>4.6 Monetary Policy</b></p> <p><b>Enduring Understanding: POL-1</b><br/> <i>Fiscal and monetary policy have short-run effects on macroeconomic outcomes.</i></p> <p><b>LO:</b> POL-1.D, POL-1.E<br/> <b>EK:</b> POL-1.D.1, POL-1.D.2, POL-1.D.3, POL-1.D.4, POL-1.D.5, POL-1.D.6, POL-1.D.7, POL-1.D.8, POL-1.D.9, POL-1.E.1</p>                                       | <p>The Federal Reserve Bank:</p> <ul style="list-style-type: none"> <li>• Ch. 14.1, 14.2 pp. 349-355 (PDF 357-363)</li> </ul> <p>Tools of Monetary Policy:</p> <ul style="list-style-type: none"> <li>• Ch. 14.3, 14.4 pp. 356-361 (PDF 364-369)</li> <li>• ACDC Econ Videos: <ul style="list-style-type: none"> <li>◦ <a href="#">Monetary Policy Graphs (1 of 2) - Macro 4.6</a></li> <li>◦ <a href="#">Monetary Policy Graphs (2 of 2) - Macro 4.6</a></li> </ul> </li> <li>• You Will Love Economics Video: <ul style="list-style-type: none"> <li>◦ <a href="#">Macro: Unit 4.3 -- Types of Monetary Policy</a></li> </ul> </li> </ul> <p>Expansionary or Contractionary Policy:</p> <ul style="list-style-type: none"> <li>• Ch. 14.4 pp. 359-364 (PDF 367-372)</li> </ul> <p>The Effects of Monetary Policy</p> <ul style="list-style-type: none"> <li>• You Will Love Economics Video: <a href="#">Macro: Unit 4.4 – The Effects of Monetary Policy</a></li> </ul> <p>Velocity of Money:</p> <ul style="list-style-type: none"> <li>• <math>MS * V = PL * RGDP</math> (or Nominal GDP)</li> <li>• Ch. 14.5 pp. 364-370 (PDF 372-378)</li> </ul> <p><b>Suggested Skill: Interpretation</b></p> <ul style="list-style-type: none"> <li>• pp. 372-374 (PDF 380-382) #5-9, 11, 16, 18-24, 28, 29, 38-44.</li> </ul> |
| <p><b>4.7 The Loanable Funds Market</b></p> <p><b>Enduring Understanding: MKT-4</b></p>  | <p>Khan Academy:</p> <ul style="list-style-type: none"> <li>• <a href="#">Loanable Funds Market Lesson</a></li> <li>• <a href="#">The Loanable Funds Market Model Part II</a></li> </ul> <p>ACDC Econ Videos</p> <ul style="list-style-type: none"> <li>• <a href="#">The Loanable Funds Market and Crowding</a></li> </ul>   |

*The interaction of borrowers, who demand loanable funds, and savers, who supply loanable funds, determines the equilibrium real interest rate.*

**LO:** MKT-4.A, MKT-4.B, MKT-4.C, MKT-4.D, MKT-4.E  
**EK:** MKT-4.A.1, MKT-4.A.2, MKT-4.A.3, MKT-4.B.1, MKT-4.B.2, MKT-4.C.1, MKT-4.D.1, MKT-4.E.1, MKT-4.E.2

[Out- Macro Topic 4.7](#)

National Savings and Investment:  
 • Ch. 9.4 pp. 229-232 (PDF 237-230)

**Suggested Skill: Graphing and Visuals**

## Unit 5: Long-Run Consequences of Stabilization Policies

20-30% AP Exam Weighting, ~8-10 Class Periods

[Click here](#) to access this unit's supporting Google Slides document. You will be asked to make a copy and you can modify as needed for your students.

The Big Ideas covered in Unit 5 include the following:

BIG IDEA 1: *Economic Measurements* **MEA**

- What does the economy grow?

BIG IDEA 3: *Macroeconomic Models* **MOD**

- What is the relationship between inflation and unemployment?

BIG IDEA 4: *Macroeconomic Policies* **POL**

- How do monetary and fiscal policies affect the economy in the long run?

| Unit 5 Topics   | Suggested OpenStax Sections/Pages   |
|---|---|
| <p><b>5.1 Fiscal and Monetary Policy Actions in the Short Run</b></p> <p><b>Enduring Understanding: POL-1</b><br/> <i>Fiscal and monetary policy have short-run effects on macroeconomic outcomes.</i></p> <p><b>LO:</b> POL-1.F<br/> <b>EK:</b> POL-1.F.1, POL-1.F.2</p> | <p>Fiscal Policy in the Short Run: Expansionary and Contractionary Policy</p> <ul style="list-style-type: none"> <li>• Ch. 11.4 pp. 300-301 (PDF 308-309)</li> <li>• Ch. 16.4 pp. 412-415 (PDF 420-423)</li> </ul> <p>Monetary Policy in the Short Run: Expansionary and Contractionary Policy</p> <ul style="list-style-type: none"> <li>• Ch. 14.3, 14.4 pp. 356-361 (PDF 364-369)</li> <li>• ACDC Econ Videos:             <ul style="list-style-type: none"> <li>◦ <a href="#">Monetary Policy Graphs (1 of 2) - Macro 4.6</a></li> <li>◦ <a href="#">Monetary Policy Graphs (2 of 2) - Macro 4.6</a></li> <li>◦ <a href="#">Fiscal &amp; Monetary Policy - Macro Topic 5.1</a></li> </ul> </li> </ul> <p>Khan Academy: <a href="#">Fiscal and monetary policy in parallel</a></p> <p><b><u>Suggested Skill: Interpretation</u></b></p> |



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|  | <ul style="list-style-type: none"> <li>pp. 305-307 (PDF 313-315) #2, 4, 5, 6, 13, 14, 15, 16, 33, 38, 40, 41, 44, 46.</li> <li>pp. 372-373 (PDF 380-381) #5, 6, 7, 8, 18-21, 24, 26.</li> <li><a href="#">Last Chapter of Khan Academy Lesson</a></li> </ul>   |
| <h2>5.2 The Phillips Curve</h2> <p><b>Enduring Understanding: MOD-3</b><br/> <i>The Phillips curve model is used to represent the relationship between inflation and unemployment and to illustrate how macroeconomic shocks affect inflation and unemployment.</i></p> <p><b>LO:</b> MOD-3.A, MOD-3.B<br/> <b>EK:</b> MOD-3.A.1, MOD-3.A.2, MOD-3.A.3, MOD-3.A.4, MOD-3.A.5, MOD-3.B.1, MOD-3.B.2</p> | <p>The Phillips Curve:</p> <ul style="list-style-type: none"> <li>Ch.11.4 pp. 297-300 (PDF 306-308)</li> <li>Ch.12.2 pp. 316-318 (PDF 324-326)</li> <li>ACDC Econ: <a href="#">The Phillips Curve - Macro Topic 5.2</a></li> <li>Khan Academy: <a href="#">The Phillips Curve, The Phillips Curve Model Part II</a></li> </ul> <p>Long Run Phillips Curve: Ch. 12.2 pp. 318-320 (PDF 326-328)<br/> Economics Help.org:</p> <ul style="list-style-type: none"> <li><a href="#">The Phillips Curve</a></li> <li><a href="#">Inflation and Unemployment Relationship</a></li> </ul> <p><b>Suggested Skill: Graphing and Visuals</b></p> <ul style="list-style-type: none"> <li>p. 307 (PDF315) #31, 32, 48, 49</li> <li>p. 326 (PDF 334) #14</li> </ul> |
| <h2>5.3 Money Growth and Inflation</h2> <p><b>Enduring Understanding: POL-3</b><br/> <i>There are long-run implications of monetary and fiscal policy.</i></p> <p><b>LO:</b> POL-3.A<br/> <b>EK:</b> POL-3.A.1, POL-3.A.2, POL-3.A.3</p>   | <p>Money Growth and Inflation:</p> <ul style="list-style-type: none"> <li>ACDC Econ Videos: <a href="#">Money Growth and Inflation-Macro Topic 5.3</a></li> <li>Ch. 12. 2 pp. 316-318(PDF 324-325) <b>Clear It Up</b></li> <li><a href="#">Link It Up</a> p. 317</li> <li>Ch. 12.2 pp. 320-324 (PDF 327-331)</li> </ul> <p>Investopedia: <a href="#">How Does Money Supply Affect Inflation?</a></p> <p><b>Suggested Skill: Manipulation</b></p> <ul style="list-style-type: none"> <li>Khan Academy: <a href="#">Money Growth and Inflation (lesson and practice)</a></li> </ul>  |
| <h2>5.4 Government Deficits and the National Debt</h2> <p><b>Enduring Understanding: POL-3</b><br/> <i>There are long-run implications of monetary and fiscal policy.</i></p> <p><b>LO:</b> POL-3.B<br/> <b>EK:</b> POL-3.B.1, POL-3.B.2, POL-3.B.3</p>  | <p>Budget Surplus and Budget Deficit:</p> <ul style="list-style-type: none"> <li>Ch. 16.1 pp. 404-407 (PDF 412-415)</li> <li>Taxation: Ch. 16.2 pp. 407-409 (PDF 415-417)</li> <li>Federal Deficits and the National Debt: Ch. 16.3 pp. 409-412 (PDF 417-420)</li> <li>You Will Love Economics Video: <a href="#">Macro Minute -- Deficit v. Debt</a></li> </ul> <p><b>Suggested Skill: Manipulation</b></p> <ul style="list-style-type: none"> <li>pp. 425-427 (PDF 433-435) #1, 2, 3, 21, 22, 25, 26, 28, 51.</li> </ul>   |
| <h2>5.5 Crowding Out</h2> <p><b>Enduring Understanding: POL-3</b><br/> <i>There are long-run implications of monetary and fiscal policy.</i></p> <p><b>LO:</b> POL-3.C<br/> <b>EK:</b> POL-3.C.1, POL-3.C.2, POL-3.C.3, POL-3.C.4</p>  | <p>Definition of Crowding Out:</p> <ul style="list-style-type: none"> <li>Ch. 16.6 p. 418 (PDF 426)</li> <li>ACDC Econ Video: <a href="#">The Loanable Funds Market and Crowding Out-Macro Topic 4.7</a></li> <li>Crowding Out: You Will Love Economics Video <a href="#">Macro Minute -- Crowding Out and Crowding In</a></li> </ul> <p><b>Suggested Skill: Manipulation</b></p> <ul style="list-style-type: none"> <li>Khan Academy: <a href="#">Crowding Out Lesson Summary &amp; Practice</a></li> </ul>   |

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| <p><b>5.6 Economic Growth</b></p> <p><b>Enduring Understanding: MEA-2</b><br/> <i>The economy fluctuates between periods of expansion and contraction in the short run, but economic growth can occur in the long run.</i></p> <p><b>LO:</b> MEA-2.B<br/> <b>EK:</b> MEA-2.B.1, MEA-2.B.2, MEA-2.B.3, MEA-2.B.4, MEA-2.B.5</p> <p><b>Enduring Understanding: MOD-1</b><br/> <i>The production possibilities curve (PPC) model is used to demonstrate the full employment level of output and to illustrate changes in full employment.</i></p> <p><b>LO:</b> MOD-1.B<br/> <b>EK:</b> MOD-1.B.1</p> | <p>Per Capita GDP:</p> <ul style="list-style-type: none"> <li>Ch. 5.4, 5.5 pp. 128-131 (PDF 136-139)</li> </ul> <p>Economics Growth:</p> <ul style="list-style-type: none"> <li>Ch. 6.1-6.3 pp. 138-152 (PDF 146-160)</li> <li>ACDC Econ Video: <a href="#">Economic Growth and LRAS-Macro Topic 5.6</a></li> </ul> <p>Aggregate Production Function:</p> <ul style="list-style-type: none"> <li>Ch. 6.2 pp. 142-144 (PDF 150-152)</li> <li>Work It Out pp. 144-145 (PDF 152-153)</li> </ul> <p><b>Suggested Skill: Interpretation</b></p> <ul style="list-style-type: none"> <li>pp. 134-135 (PDF 143-144) #8, 10, 17, 18, 19, 25, 26.</li> <li>pp. 159-161 (PDF 167-169) #5, 6, 7, 9, 16, 18, 22, 32.</li> </ul> <p>Khan Academy: <a href="#">Summary &amp; Practice</a></p> |
| <p><b>5.7 Public Policy and Economic Growth</b></p> <p><b>Enduring Understanding: POL-4</b><br/> <i>Authorities and organizations institute policies that affect economic growth.</i></p> <p><b>LO:</b> POL-4.A<br/> <b>EK:</b> POL-4.A.1, POL-4.A.2, POL-4.A.3</p>  | <p>Public Policy (Fiscal Policy)<br/> Article from Economics Discussion. NET:</p> <ul style="list-style-type: none"> <li><a href="#">6 Main Public Policies to Promote Economic Growth</a></li> <li>Ch. 16.4 pp. 412-414 (PDF 420-422)</li> </ul> <p><b>Suggested Skill: Interpretation</b><br/> Khan Academy: <a href="#">Public Policy and Economic Growth</a></p>   |

# Unit 6: Open Economy - International Trade and Finance

10-13% AP Exam Weighting, ~5-7 Class Periods

[Click here](#) to access this unit's supporting Google Slides document. You will be asked to make a copy and you can modify as needed for your students.

The Big Idea covered in Unit 6 is the following:

BIG IDEA 1: *Economic Measurements* **MEA**

- Why does the balance of payments balance?

BIG IDEA 2: *Markets* **MKT**

- Why does the price of one nation's currency relative to another nation's currency change?
- How do changes in the value of a country's currency affect that country's economy?



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| Unit 6 Topics   | Suggested OpenStax Sections/Pages  |
|---|--|
| <p><b>6.1 Balance of Payments Accounts</b></p> <p><b>Enduring Understanding:</b> MEA-4<br/><i>Foreign trade accounting measures the flow of goods, services, and financial capital between countries.</i></p> <p><b>LO:</b> MEA-4.A<br/><b>EK:</b> MEA-4.A.1, MEA-4.A.2, MEA-4.A.3, MEA-4.A.4, MEA-4.A.5, MEA-4.A.6</p>   | <p>Capital Flows, Current Account, Financial Capital Inflows (Surplus) and Outflows (Deficit), Balance of Payments:</p> <ul style="list-style-type: none"> <li>Ch. 9.1-9.6 pp. 218-237 (PDF 227-245)</li> </ul> <p>Comparative Advantage:</p> <ul style="list-style-type: none"> <li>Ch. 2.2 pp. 37-38 (PDF 45-46)</li> <li>Ch. 9.3 pp. 226-228 (PDF 235-237)</li> </ul> <p>Are Trade Deficits Harmful?</p> <ul style="list-style-type: none"> <li><b>Clear It Up</b> p. 234 (PDF 242)</li> <li><b>Link It Up</b> p. 234 (PDF 242)</li> </ul> <p><b>Suggested Skill: Principles and Models</b></p> <ul style="list-style-type: none"> <li><b>Work It Out</b> pp. 222-224 (PDF 231-233)</li> <li>pp. 239-241 (PDF 247-250) #1, 2, 3, 7, 8, 10, 15, 16, 22, 23, 24, 28, 38.</li> </ul> |
| <p><b>6.2 Exchange Rates</b></p> <p><b>Enduring Understanding:</b> MKT-5<br/><i>The interaction of buyers and sellers exchanging the currency of one country for the currency of another determines the equilibrium exchange rate in a flexible exchange market and influences the flow of goods, services, and financial capital between countries.</i></p> <p><b>LO:</b> MKT-5.A<br/><b>EK:</b> MKT-5.A.1, MKT-5.A.2</p>  | <p>Explanation of Exchange Rate:</p> <ul style="list-style-type: none"> <li>Ch. 5.4 pp. 126-128 (PDF 134-136)</li> </ul> <p>Values of one Currency vs. Another</p> <ul style="list-style-type: none"> <li>Ch. 15.1 pp. 380-384 (PDF 388-392)</li> <li><b>Work It Out:</b> p. 383 (PDF 391)</li> <li><b>Link It Up:</b> <a href="#">The Exchange Rate Calculator</a></li> </ul> <p>You Will Love Economics Video</p> <ul style="list-style-type: none"> <li><a href="#">Macro: Unit 5.2 -- The Foreign Exchange Market</a></li> </ul> <p><b>Suggested Skill: Principles and Models</b></p> <ul style="list-style-type: none"> <li>pp. 400-401 (PDF 408-409) #14, 15, 25, 32.</li> </ul>   |
| <p><b>6.3 The Foreign Exchange Market</b></p> <p><b>Enduring Understanding:</b> MKT-5<br/><i>The interaction of buyers and sellers exchanging the currency of one country for the currency of another determines the equilibrium exchange rate in a flexible exchange market and influences the flow of goods, services, and financial capital between countries.</i></p> <p><b>LO:</b> MKT-5.B, MKT-5.C, MKT-5.D<br/><b>EK:</b> MKT-5.B.1, MKT-5.B.2, MKT-5.C.1, MKT-5.D.1</p> | <p>Define the Foreign Exchange Market:</p> <ul style="list-style-type: none"> <li>Demand for Currency</li> <li>Supply of Currency</li> <li>Equilibrium and Disequilibrium with Currency</li> <li>Ch. 15.1-15.4 pp. 376-392 (PDF 384-400)</li> <li>Khan Academy: <a href="#">The Foreign Exchange Market Model</a></li> <li>ACDC Econ: <a href="#">Foreign Exchange Market – Macro 6.3</a></li> </ul> <p><b>Suggested Skill: Graphing and Visuals</b></p> <ul style="list-style-type: none"> <li>pp. 399-400 (PDF 407-408) #2, 3, 4, 10.</li> </ul>   |
| <p><b>6.4 Effect of Changes in Policies and Economic Conditions on the Foreign Exchange Market</b></p> <p><b>Enduring Understanding:</b> MKT-5<br/><i>The interaction of buyers and sellers exchanging the currency</i></p>   | <p>Khan Academy:</p> <ul style="list-style-type: none"> <li><a href="#">Caused of Shifts in Currency Supply and Demand Curves</a></li> <li>Ch. 15.2 pp. 384-388 (PDF 392-396)</li> </ul> <p>Fiscal Policy Impacts on Trade Balance:</p> <ul style="list-style-type: none"> <li>Ch. 17.4 pp. 439-443 (PDF 447-451)</li> <li>Investopedia: <a href="#">6 Factors That Influence Exchange Rates</a></li> </ul> <p>Monetary Policy Impacts on exchange Rates:</p>  |

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| <p>of one country for the currency of another determines the equilibrium exchange rate in a flexible exchange market and influences the flow of goods, services, and financial capital between countries.</p> <p><b>LO:</b> MKT-5.E<br/><b>KO:</b> MKT-5.E.1, MKT-5.E.2, MKT-5.E.3</p>   | <ul style="list-style-type: none"> <li>Francis Coppola Article: <a href="#">How the Fed's Monetary Policy Affect Exchange Rates</a></li> <li>Ch. 15.4 pp. 391-397 (PDF 399-405)</li> </ul> <p>You Will Love Economics Video:</p> <ul style="list-style-type: none"> <li><a href="#">Macro: Unit 5.3 -- International Capital Flow</a></li> </ul> <p><b>Suggested Skill: Graphing and Visuals</b></p> <ul style="list-style-type: none"> <li>p. 401 (PDF409) #28</li> <li>pp. 445-446 (PDF 453-454) #15, 16, 23, 27.</li> <li>ACDC Econ Practice: <a href="#">Foreign Exchange Practice- Macro Topic 6.4 and 6.5</a></li> </ul>           |
| <p><b>6.5 Changes in the Foreign Exchange Market and Net Exports</b></p> <p><b>Enduring Understanding: MKT-5</b><br/><i>The interaction of buyers and sellers exchanging the currency of one country for the currency of another determines the equilibrium exchange rate in a flexible exchange market and influences the flow of goods, services, and financial capital between countries.</i></p> <p><b>LO:</b> MKT-5.F<br/><b>KO:</b> MKT-5.F.1, MKT-5.F.2</p> | <p>Khan Academy Lesson:</p> <ul style="list-style-type: none"> <li><a href="#">Changes in the Foreign Exchange Market and Net Exports</a></li> </ul> <p>Macroeconomic Effects of Exchange Rates</p> <ul style="list-style-type: none"> <li>Ch. 15.3 pp. 389-391 (PDF 397-399)</li> </ul> <p><b>Suggested Skill: Manipulation</b></p> <ul style="list-style-type: none"> <li>ACDC Econ Practice: <a href="#">Foreign Exchange Practice- Macro Topic 6.4 and 6.5</a></li> </ul>  |
| <p><b>6.6 Real Interest Rates and International Capital Flows</b></p> <p><b>Enduring Understanding: MKT-5</b><br/><i>The interaction of buyers and sellers exchanging the currency of one country for the currency of another determines the equilibrium exchange rate in a flexible exchange market and influences the flow of goods, services, and financial capital between countries.</i></p> <p><b>LO:</b> MKT-5.G<br/><b>EK:</b> MKT-5.G.1, MKT-5.G.2</p>    | <p>Review of Real Interest Rates:</p> <ul style="list-style-type: none"> <li>Ch. 8.4 p. 207 (PDF 215)</li> <li>Khan Academy Video, Summary, Practice: <a href="#">Real Int. Rates &amp; International Capital Flows</a></li> </ul> <p>Effects of Interest Rates:</p> <ul style="list-style-type: none"> <li>Ch. 15.4 pp. 391-394 (PDF 399-402)</li> </ul> <p>ACDC Econ Video:</p> <ul style="list-style-type: none"> <li><a href="#">Real Interest Rates and Capital Flows- Macro Topic 6.6</a></li> </ul> <p><b>Suggested Skill: Manipulation</b></p> <p>Khan Academy Practice: <a href="#">Real Int. Rates and Int. Cap. Flows</a></p> |

The OpenStax team recognizes and thanks Bob Shaw, former General and AP Macroeconomics teacher at Burbank High School, for his support in creating this alignment and its associated Google Slides document.



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