

Key skills and concepts: Macroeconomics

1. Define the science of economics
2. Distinguish between opportunity cost, scarcity and trade-offs.
3. Distinguish between macroeconomics and microeconomics
4. List the three basic economic questions
5. Define comparative advantage and specialization and benefits of exchange
6. Use a production possibilities curve to demonstrate opportunity cost and growth
7. List the determinants of demand and supply curves
8. Recognize which factors will cause demand curves or supply curves to shift to shift
9. Distinguish between changes in quantity demanded versus a change in demand
10. Distinguish between changes in quantity supplied versus a change in supply
11. Determine effects on price and quantity when equilibrium changes
12. Describe the macroeconomic performance in the United States and other countries-GDP, inflation, unemployment and other indicators
13. Define Gross Domestic Product by expenditure and income approaches
14. Distinguish between nominal GDP and real GDP
15. Explain the limitations of GDP measures
16. Define unemployment; list sources and types
17. Define labor force participation rate
18. Define the full employment level of GDP
19. Distinguish between actual and potential GDP
20. Explain the calculation of price indices—GDP deflator, CPI, PPI
21. Use price indices to calculate real wages and real interest rates
22. Describe the effects of inflation on various groups of consumer, etc.
23. List the determinants of aggregate demand
24. Distinguish between changes in AD and a change in price level causing movement along the AD curve
25. List reasons why the aggregate demand curve is down sloping
26. List the determinants of aggregate supply
27. Distinguish between changes in AS and a change in price level causing movement along the AS curve
28. Explain and demonstrate the shape of the aggregate supply curve in the short and long run; define and show the full-employment level of output (Q_f)
29. Determine the importance of the shape of the AS curve on the effects of change in the AD curve
30. Determine equilibrium using an aggregate demand/aggregate supply graph and show the effects on price level and Real GDP when equilibrium changes in both the long and the short run
31. Given data, determine the size of the spending multiplier and assess its impact on aggregate demand

32. Define Fiscal Policy—discretionary and non-discretionary
33. Define and measure the effect of built-in stabilizers on the economy
34. Using AD/AS analysis, show the effect on price level and RDGP of changes in fiscal policy
35. Define the balance budget multiplier
36. Distinguish between sticky-price and sticky-wage models and flexible price and wage models; identify the effect of these differences on the AS curve
37. Define and list factors influencing money demand
38. Define money supply and other financial assets
39. Demonstrate understanding of the time value of money
40. Define a fractional banking system
41. Explain the role of the Federal Reserve System in the economy
42. Identify and examine the tools of central bank policy and their impact on money supply and interest rates
43. Describe the process of money creation and multiple-deposit expansion
44. Given data, determine the size of the money multiplier and assess its impact on the money supply
45. Distinguish between nominal and real interest rates with money market graph and loanable funds market graph
46. Define the quantity theory of money
47. Assess the effect of fiscal and monetary policy on real output, price level and the level of employment in the long and short run
48. Gain understanding of how an economy responds to a short-run shock and adjusts in the long run in the absence of any public policy actions
49. Examine the economic effects of government deficit budgets including “crowding out”
50. Consider issues surrounding the size and burden of the national debt
51. Gain understanding of inflation-unemployment tradeoffs using short and long run Phillips curve analysis
52. Show the causes of inflation on an AD/AS model
53. Speculate on the role of inflationary expectations on price level and output
54. Define economic growth and list the factors that stimulate growth
55. Assess the role of productivity in raising real output and standard of living
56. Suggest how public policies stimulate economic growth
57. Using graphical and table analysis, show the benefit of employing comparative advantage
58. Explain how the balance of payments accounts are recorded
59. Explain the effect of trade restrictions
60. List the factors that influence equilibrium foreign exchange rates
61. Using demand/supply analysis, show how market forces and public policy affect currency demand and currency supply
62. Define currency appreciation and depreciation and relate to graphical analysis
63. State the effects of appreciation and depreciation on a country’s net exports
64. Understand how changes in net exports and capital flows affect financial and goods markets