

Unit 4: Macroeconomics

Topics of Study

- I: GDP / Business Cycle (pgs. 423-427 / pgs. 465-473)
- II: Inflation and Unemployment (pgs. 476-493)
- III: FED and Monetary Policy (pgs. 585--599)
- IV: Aggregate Supply and Demand (pgs. 569-575)
- V: Taxing and Spending (pgs. 505-530)
- VI: Fiscal Policy (pgs. 549-567)
- VII: International Trade (pgs. 621-637)



ID's

GDP	Recession	Trough	Peak
Expansion	Contraction	Unemployment	Frictional Unemp.
Structural Unempl.	Cyclical Unempl.	Seasonal Unempl.	Full Employment
Inflation	Deflation	Creeping Inflation	Galloping Inflation
CPI	Hyperinflation	Discount Rate	Open Market Operations
The FED	Monetary Policy	Reserve Requirement	Easy/Tight Monetary Policy
FED Chairperson	Social Security	Fiscal Policy	Budget Deficit
National Debt	Aggregate Supply	Aggregate Demand	Macroeconomic Equilibrium
Welfare	Automatic Stabilizers	Food Stamps	Unemployment Insurance
Income Gap	Public/Private sector	John Maynard Keynes	John Stuart Mill
Progressive Tax	Proportional Tax	Regressive Tax	Medicare
Imports/Exports	Specialization	Absolute Advantage	Comparative Advantage
Tariffs	Protectionists	Embargo	World Trade Organization

Essential Questions

1. How does GDP measure economic growth and decline? What is included and not included in GDP? What is the equation used to calculate GDP (Output Expenditure Model)?
2. What are the 4 stages of the business cycle? What have been the trends in the US business cycle since WWII?
3. Why is about 4-6% unemployment considered full employment? What are the 5 different types of unemployment?
4. What are the differences between creeping/galloping inflation, hyperinflation and stagflation?
5. What are the causes and consequences of inflation?
6. How is The Fed structured? What is its purpose?
7. How are the Reserve Requirement, Discount Rate and Open Market Operations used in both tight and easy money policies? When are these policies used?
8. What are the criteria for effective taxes? What are 3 different types of taxes?
9. What are two types of government spending?
10. What are the differences between Supply and Demand Side Fiscal policies? What are their effects on the economy?
11. What is the difference between comparative and absolute advantage? How is a production possibilities curve used to illustrate the benefits of specialization and trade?
12. What are the ways that nations restrict trade? Why do protectionists argue these measures are necessary?