Unit 3: Aggregate Supply/Demand

Content Area: **Social Studies**
Course(s): **AP Macro Economics**
Time Period: **November**
Length: **4 weeks**
Status: **Published**

Transfer Skills

Students will be able to independently use their learning to identify factors that impact the movement of supply and demand curves. They will use this analysis to show the impact of changes is AS/AD on real world economies.

Enduring Understandings

Aggregate Supply and Demand is the total of both for a country. The analysis of both shows us how stable or unstable our economy is based upon Gross Domestic Product and Price Level (inflation).

Understanding how people consume and how this consumption multiples through the economy is critical in being able to make decisions on economic policy.

Economic theorists have constantly changed their ideas about what drives economies. Comparison of Supply Side Theory, Keynesian Consumption Theory and Hayek's Saving Theory help us to understand how policies are formed.

In the long run, we are all dead. In economics we reach the ideal point which economies if left unchecked we move to.

Policy decisions help to hasten the move back to equilibrium in the short run.

Essential Questions

How is it possible to achieve long run growth in an economy and how will that impact Price Level and Gross Domestic Product?

How does understanding and calculating consumption demonstrate how an economy grows?

What are the major similarities and differences between Classical and Keynesian Economics and how do these theories help in our ability to explain the changes in the economy?

How is long run equilibrium determined and why does short run equilibrium tend to move back towards long run equilibrium without any economic changes.

How is it possible for nations to have much larger GDP than the money they have in circulation?

Content

Vocabulary

Aggregate Supply and Demand, Long Run Aggregate Supply Curve, Real-Balance Effect, Interest Rate Effec t, Open Economy Effect, Say's Law, Money Illusion, Keynesian Short Run Supply Curve, Aggregate Supply and Demand Shock, Recessionary Gap, Inflationary Gap, Demand Pull Inflation, Cost Push Inflation, Consumption, Savings, 45 Degree Reference Line, Marginal Propensity to Consume and Save, Multiplier

Skills

Calculate Marginal Propensity to Consume and the Multiplier to show growth in an economy.

Graph Short and Long Run Supply and Demand curves and analysis of these curves.

Graph Keynesian Equilibrium and Consumption.

Compare using charts and diagrams of economic theory.

Write and evaluate how these concepts are relevant to understanding real world economics.

Debate using different economic theory and which theory is more relevant to our society.

Resources

Standards

PFL.9.1.12.A	Income and Careers
PFL.9.1.12.B	Money Management
PFL.9.1.12.C	Credit and Debt Management
PFL.9.1.12.D	Planning, Saving, and Investing
SOC.6.1.12.C.1.a	Explain how economic ideas and the practices of mercantilism and capitalism conflicted during this time period.
SOC.6.2.12.C.6.a	Evaluate efforts of governmental, nongovernmental, and international organizations to address economic imbalances and social inequalities.
SOC.6.2.12.C.6.b	Compare and contrast demographic trends in industrialized and developing nations, and evaluate the potential impact of these trends on the economy, political stability, and use of resources.
SOC.6.2.12.C.6.c	Assess the role government monetary policies, central banks, international investment, and exchange rates play in maintaining stable regional and global economies.