

# 09 National Income and Price Determination

Content Area: **Social Studies**  
Course(s): **AP Economics**  
Time Period: **Semester 2**  
Length: **3 weeks**  
Status: **Published**

## Standards

---

SOC.6.1.12.EconGE.1.a	Explain how economic ideas and the practices of mercantilism and capitalism conflicted during this time period.
SOC.6.1.12.EconEM.2.a	Explain how the United States economy emerged from British mercantilism.
SOC.6.1.12.EconEM.2.b	Assess the effectiveness of the new state and national governments attempts to respond to economic challenges including domestic (e.g., inflation, debt) and foreign trade policy issues.
SOC.6.1.12.EconET.2.a	Analyze how technological developments transformed the economy, created international markets, and affected the environment in New Jersey and the nation.
SOC.6.1.12.EconET.11.a	Evaluate the shift in economic resources from the production of domestic to military goods during World War II in terms of opportunity costs and trade-offs and analyze the impact of the post-war shift back to domestic production.
SOC.6.1.12.EconNE.11.a	Analyze how scientific advancements, including advancements in agricultural technology, impacted the national and global economies and daily life.
SOC.6.1.12.EconNE.14.a	Use economic indicators to evaluate the effectiveness of state and national fiscal (i.e., government spending and taxation) and monetary (i.e., interest rates) policies.
SOC.6.2.12.EconET.5.b	Articulate a point of view which assesses the reasons for and consequences of the growth of communism and shift toward a market economy in China.
SOC.6.2.12.EconGE.5.a	Evaluate the role of the petroleum industry in world politics, the global economy, and the environment.
SOC.6.2.12.EconGE.6.a	Evaluate efforts of governmental, non-governmental, and international organizations to address economic imbalances, social inequalities, climate change, health and/or illiteracy.
SOC.6.2.12.EconGE.6.b	Assess the role government monetary policies, central banks, international investment, and exchange rates play in maintaining stable regional and global economies.
SOC.6.2.12.EconGE.6.c	Relate the rise of the Internet and social media to global economy.
SOC.6.3.12.EconGE.1	Participate in a simulated meeting (e.g., President's Council, World Bank, International Monetary Fund (IMF), research evidence from multiple sources about an economic problem (e.g., inflation, unemployment, deficit), and develop a plan of action.

## Enduring Understandings

---

1. John Maynard Keynes' quote "In the long run we are all dead" represents the idea that markets may be self-correcting, but often take a long time (causing much hardship) before they do so.
2. Fiscal policy has a greater impact when it focuses on direct government spending over cutting taxes.
3. Government debt is necessary and useful, though it can result in opportunity costs for society.

## **Essential Questions**

---

1. How do basic economic concepts help explain real-world outcomes?
2. How do aggregate supply and aggregate demand result in national economic stability or instability?
3. How does fiscal policy address recessionary and inflationary output gaps?

## **Knowledge and Skills**

---

Students will be able to.....

1. Explain, calculate and analyze the simple spending multiplier
2. Graph and analyze the consumption function and its role in consumer spending
3. Identify and explain the factors that change consumer and investment spending
4. Graph and analyze the Aggregate Demand (AD) curve
5. Identify and explain shifts in the AD curve
6. Graph and analyze the Short Run Aggregate Supply (SRAS) curve
7. Identify and explain shifts in the SRAS curve
8. Explain why the Long Run Aggregate Supply (LRAS) curve is vertical at potential output
9. Graph and analyze macroeconomic equilibrium
10. Graph and analyze recessionary and inflationary gaps
11. Explain how fiscal policy is used to respond to output gaps
12. Calculate the values of spending and tax changes to address output gaps

## **Transfer Goals**

---

Students will be able to independently.....

1. Use economic concepts and approaches to affect their personal decision making and to help them make sense of the real world economy
2. Apply government financial data and formulate opinions on fiscal policy choices at all levels of government

## **Resources**

---

**Textbook:**

Krugman's Economics for AP by [University Paul Krugman](#) (Adapter), [Robin Wells](#) (Adapter), [Professor Margaret Ray](#) (Author), [David Anderson](#) (Author).

## Supplemental Readings/Sources:

ACDC Worksheets and Powerpoints

Articles from the Economist

Economics By Example Readings

FRQs and Practice Multiple Choice Questions

Review Book: 5 Steps to a 5

Ultimate Review Guide

Amsco Review Book

Additional Resources from WH databases, and articles connected to the content, including primary readings, historiography, and secondary sources.

## Internet/Digital Sources:

ACDC Youtube Video Clips

Crashcourse Economics Video Clips

AP Classroom Resources

Albert IO

Khan Academy

### **Assessments**

---

<https://docs.google.com/document/d/1mKgdwpriGuRcVHIVCJUdBek7lih12Q0ckKSTC4TMUXs/edit>

### **Modifications**

---

<https://docs.google.com/document/d/1XtUWvYfqhUpgTH9A995xZIQ64jsDH2LtXo1yBo7zxDw/edit>