



# Principles of Economics

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Marginal Revolution University	Tyler Cowen and Alex Tabarrok		<a href="#">MRUniversity Videos</a>

Alta Principles of Economics was developed to meet the scope and sequence of most introductory and customizable one to two semester principles of economics courses. To develop the course, Knewton used a variety of content, including OpenStax, Marginal Revolution University, and a team of Subject Matter Experts (SMEs). The SMEs come from diverse backgrounds and are all accomplished academics in the field of economics.

Alta Principles of Economics has two pieces of instruction (video and text) for every application-based learning objective, giving students multiple, diverse opportunities to learn new skills, and text instruction for definition-based concepts. Alta Principles of Economics covers the typical breadth of economics topics, and also provides the necessary depth to ensure the course is manageable and engaging for instructors and students alike.

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- Explain the relationship between production and division of labor
- Contrast microeconomics and macroeconomics

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  - Interpret supply schedules and supply curves
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  - Identify equilibrium using demand/supply schedules
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- Analyze the effects of price ceilings on market equilibrium

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### 7.3 Costs in the Short Run

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## Chapter 31: The Impacts of Government Borrowing

### 31.1 How Government Borrowing Affects Investment and the Trade Balance

- Explain the national savings and investment identity and apply the investment-savings equation
- Understand how a change in the budget deficits impacts price investment, private savings, or trade deficits

### 31.2 Fiscal Policy and the Trade Balance

- Explain twin deficits and understand the relationship between foreign national investment and budget deficits
- Explain how budget deficits affect the demand and supply for currency and illustrate this graphically
- Illustrate the effects of budget deficits on the exchange rate using a supply-demand diagram
- Explain how high budget deficits can lead to recession and how fiscal policy can be used to address trade imbalances

### 31.3 Ricardian Equivalence, Fiscal Policy, Investment, and Economic Growth

- Explain Ricardian equivalence and identify whether Ricardian equivalence takes place
- Explain crowding out and identify the historical relationship between budget balance and private investment spending
- Use a supply and demand diagram to illustrate the effect of budget deficits on interest rates
- Explain how the government invests in physical capital, human capital, and technological growth

## Chapter 32: Macroeconomic Policy Around the World

### 32.1 The Diversity of Countries and Economies Across the World

- Define low, middle, and high income country and understand how these countries vary in population and share of world income
  - Explain how differences in geography, demographics, industry structure, and economic institutions contribute to differences in GDP per capita around the world
  - Understand growth policies appropriate for high-income countries
  - Understand growth policies appropriate for middle-income countries
  - Understand growth policies appropriate for low-income countries
  - Explain the causes of unemployment around the world
  - Explain causes and solutions to inflation in various parts of the world
  - Define NAFTA and explain concerns related to trade
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## **Chapter 33: International Trade**

### **33.1 Absolute and Comparative Advantage**

- Explain comparative advantage and determine which country has an absolute advantage in producing a good
- Draw a country's production possibilities frontier
- Calculate a country's opportunity cost of producing one unit of a good and use this to determine comparative advantage
- Explain the relationship between comparative advantage and specialize and calculate world production before and after specialization
- Illustrate how trade can move a country beyond its production possibilities frontier

### **33.2 Absolute Advantage, Intra-Industry Trade Between Similar Economies, and Reducing the Barriers to International Trade**

- Relate absolute advantage and labor productivity and calculate the increase in world output due to specialization even if one country has both absolute advantages
- Illustrate gains from trade when one country has an absolute advantage in both goods
- Explain why comparative advantage increases production for all countries
- Define and explain intra-industry trade
- Explain the World Trade Organization and understand the benefits to reducing trade barriers

## **Chapter 34: Globalization and Protectionism**

### **34.1 Protectionism: An Indirect Subsidy from Consumers to Producers**

- Explain protectionism, GATT, and WTO
- Identify equilibrium prices for a good in two countries with and without trade
- Calculate exports and imports using supply and demand diagrams
- Identify gains from trade on a supply and demand diagram
- Use a supply and demand diagram to illustrate the impact of imports and identify the impact on domestic market price
- Explain who benefits and who loses from protectionism

### **34.2 The Effects of International Trade and Arguments in Favor of Restricting Imports**

- Explain how protectionism and trade affect jobs, wages, and working conditions
- Explain the infant industry argument and dumping
- Explain the environmental protection argument, the unsafe consumer products argument, and the national interest argument

### **34.3 How Governments Enact Trade Policy and The Tradeoffs of Trade Policy**

- Explain The main objective of the WTO/GATT and understand regional trade agreements
  - Explain the relationship between free trade and domestic interests and how trade policy has evolved over time
  - Explain why free trade should be a first priority for policymakers
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## Appendices

### A.1 Indifference Curves

- Draw an indifference curve
- Interpret an indifference curve and explain its slope
- Explain why higher indifference curves are preferred to lower ones and how indifference curves differ across individuals
- Understand how an individual uses indifference curves and a budget line to maximize utility
- Explain how changes in income affect the utility maximizing choice
- Identify the income and substitution effects graphically
- Draw a labor-leisure indifference curve and budget line
- Explain the effect of a change in the wage on a worker's labor-leisure choice
- Draw an intertemporal choice indifference curve and budget line
- Explain the effect of a change in the interest rate on the choice between present and future consumption
- Sketch income and substitution effects

### A.2 Present Discounted Value

- Calculate present discounted value of a stock
- Calculate present discounted value of a bond and understand the relationship between present value and interest rates

### A.3 The Expenditure-Output Model

- Identify aggregate expenditure, the 45-degree line, and potential output on a graph
  - Define MPC and MPS
  - Draw a pre-tax consumption function
  - Explain the investment function and government spending function
  - Draw a post-tax consumption function
  - Explain the exports function and draw an imports function
  - Use the expenditure-output model to calculate expenditure and analyze how changing components affect expenditure
  - Explain equilibrium in the Keynesian cross model
  - Identify inflationary and recessionary gaps on an aggregate expenditure gap
  - Calculate and explain the spending multiplier
  - Use the spending multiplier to calculate the effect of an increase in spending on Real GDP
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