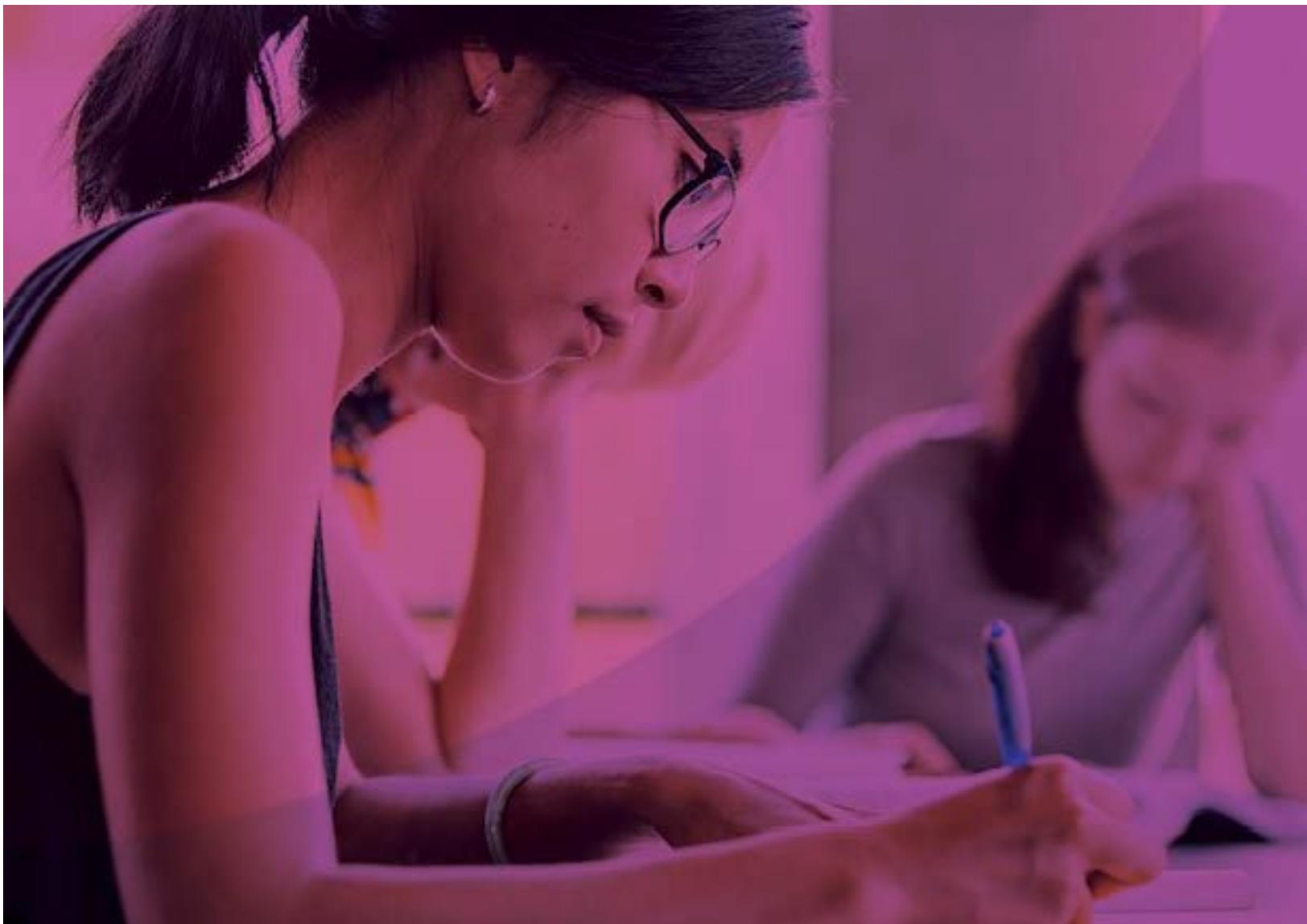




# Macroeconomics

978-1-63545-006-4



To learn more about all our offerings  
Visit [Knewton.com/highered](https://www.knewton.com/highered)



Source	Author(s) (Text or Video)	Title(s)	Link (where applicable)
OpenStax	Senior Contributing Authors: Steve Greenlaw - University of Mary Washington Timothy Taylor - Macalester College	Principles of Macroeconomics	<a href="#">OpenStax</a>
UC Irvine Open Courseware	The Paul Merage School of Business, University of California	The Power of Microeconomics	<a href="#">UC Irvine Open Courseware</a>

Knewton Macroeconomics was developed to meet the scope and sequence of most introductory macroeconomics courses. To develop the course, Knewton used three main sources of content: OpenStax, UC Irvine Open Courseware, and a team of Subject Matter Experts (SMEs). The SMEs come from diverse backgrounds and are all accomplished academics in the field of Economics.

Knewton Macroeconomics has three instructional sequences for every learning objective, giving students multiple opportunities to learn new concepts. Among our OpenStax, UC Irvine, and Knewton SMEs, we were able to solicit ideas from economics instructors and students at all levels of higher education. Knewton Macroeconomics 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.

---

## Macroeconomics | Table of Contents

### Chapter 1: Introduction to Economics

- Understanding the Importance of Economics
  - Evaluate the significance of scarcity
  - Explain the relationship between production and division of labor
  - Contrast microeconomics and macroeconomics
- Using Theories and Models
  - Explain the importance of economic theories and models
  - Interpret a circular flow diagram
- How Economies Can Be Organized
  - Contrast traditional economies, command economies, and market economies
  - Understand the basic relationship between government, regulations, and markets
  - Assess the importance and effects of globalization

### Chapter 2: Choice in a World of Scarcity

- How Individuals Make Choices Based on Their Budget Constraint
  - Calculate and graph budget constraints
  - Explain opportunity costs
  - Define Sunk Costs
  - Evaluate the law of diminishing marginal utility
- The Production Possibilities Frontier and Social Choices
  - Interpret production possibilities frontier graphs
  - Explain the law of diminishing returns
  - Contrast productive efficiency and allocative efficiency
  - Explain comparative advantage

### Chapter 3: Demand and Supply

- Demand in Markets for Goods and Services
    - Explain demand, quantity demanded, and the law of demand
    - Interpret a demand curve
  - Supply in Markets for Goods and Services
    - Explain supply, quantity supplied, and the law of supply
    - Interpret a supply curve
  - Equilibrium in Markets for Goods and Services
    - Explain equilibrium, equilibrium price, and equilibrium quantity
    - Define economic surpluses and shortages
  - Shifts in Demand for Goods and Services
    - Define the Ceteris Paribus Assumption
    - Identify the effects of income on the demand curve
    - Identify factors that affect the demand curve
    - Graph shifts in demand
-

- Shifts in Supply for Goods and Services
  - Identify the effects of production costs on the supply curve
  - Identify factors that affect the supply curve
  - Graph shifts in supply
- Changes in Equilibrium Price and Quantity
  - Changes in equilibrium price and quantity
  - Graph equilibrium price and quantity
- Price Ceilings and Price Floors
  - Explain price ceilings
  - Explain price floors
- Demand Supply and Efficiency
  - Contrast consumer surplus, producer surplus, and social surplus
  - Explain why price floors and price ceilings can be inefficient
  - Analyze demand and supply as a social adjustment mechanism

#### **Chapter 4: Introduction to Labor and Financial Markets**

- Demand and Supply at Work in Labor Markets
  - Analyze examples of equilibrium in the labor market
  - Identify factors that shift labor demand
  - Identify factors that shift labor supply
  - Analyze price floors in the labor market
- Demand and Supply in Financial Markets
  - Explain how interest rates can affect supply and demand
  - Explain equilibrium in the financial market
  - Define intertemporal decision making
- Effects of Price Controls in the Labor Market
  - Explain the role of price ceilings and usury laws in the U.S.
  - Apply demand and supply models to analyze prices and quantities
  - Explain the effects of price controls on the equilibrium of prices and quantities

#### **Chapter 5: Elasticity**

- Price Elasticity of Demand and Price Elasticity of Supply
    - Define Elasticity
    - Calculate price elasticity of demand
    - Calculate price elasticity of supply
  - Polar Cases of Elasticity and Constant Elasticity
    - Explain infinite elasticity
    - Explain zero elasticity
    - Analyze constant unitary elasticity
-

- Elasticity and Pricing
  - Analyze how price elasticities impact revenue
  - Explain the relationship between production and consumer cost
  - Explain the effects of elasticity on tax incidence
  - Analyze changes in elasticity over time
- Elasticity in Areas Other Than Price
  - Calculate the income elasticity of demand
  - Calculate the cross-price elasticity of demand
  - Analyze elasticity in labor and financial capital markets
  - Select and apply formulas to calculate elasticity

### **Chapter 6: The Macroeconomic Perspective**

- Measuring the Size of the Economy
  - Define Gross Domestic Product
  - Measure GDP using the income approach
  - Measure GDP using the expenditures approach
  - Measure GDP using the output approach
  - Understand the problem of double counting
- Implications of GDP
  - Understand Gross National Product
  - Differentiate between nominal GDP and real GDP
  - Understand tracking real GDP over time
  - Evaluate the limitations of GDP as a measure of the standard of living

### **Chapter 7: Economic Growth**

- Labor Productivity and Economic Growth
  - Explain the conditions that have allowed for modern economic growth in the last two centuries
  - Identify factors that affect labor productivity
  - Analyze the sources of economic growth using the aggregate production function
- Components of Economic Growth
  - Discuss the components of economic growth
  - Explain capital deepening
  - Identify factors that contribute to a healthy climate for economic growth

### **Chapter 8: Unemployment**

- Unemployment
    - Define employed, unemployed, and labor force
    - Calculate the unemployment rate and understand the labor force percentage
    - Explain types of unemployment
    - Evaluate the collection and interpretation of unemployment data
    - Understand government policies to reduce unemployment
-

### **Chapter 9: Inflation**

- Inflation
  - Calculate the annual rate of inflation
  - Use the Consumer Price Index to calculate inflation rates
  - Differentiate among the Consumer Price Index, the Producer Price Index, and the GDP deflator
  - Identify patterns of inflation for the United States
  - Explain the economic challenges of inflation

### **Chapter 10: The International Trade and Capital Flows**

- The International Trade and Capital Flows
  - Identify components of current account balance
  - Explain balanced trade in terms of investment and capital flows
  - Identify and calculate supply and demand for financial capital
  - Predict the effect of savings and investments on a nation's balance of trade
  - Identify the advantages and disadvantages of trade deficits and surpluses

### **Chapter 11: The Aggregate Demand / Aggregate Supply Model**

- Macroeconomic Perspectives on Demand and Supply
  - Explain Say's Law and determine whether it applies in the short run or the long run
  - Explain Keynes' Law and determine whether it applies in the short run or the long run
- Building a Model of Aggregate Demand and Aggregate Supply
  - Explain the aggregate supply curve
  - Explain the aggregate demand curve
  - Identify the point of equilibrium in the aggregate demand/aggregate supply model
- Shifts in Aggregate Supply and Aggregate Demand
  - Explain how aggregate supply can shift
  - Explain how aggregate demand can shift
  - Evaluate why economists disagree on the topic of tax cuts
  - Explain how unemployment and inflation impact the aggregate demand/aggregate supply model
  - Recognize the neoclassical zone, the intermediate zone, and the Keynesian zone in the aggregate demand aggregate supply model

### **Chapter 12: The Keynesian Perspective**

- Aggregate Demand in Keynesian Analysis
    - Identify recessionary gaps and inflationary gaps on the Keynesian AD/AS model
    - Identify the determining factors of both consumption expenditure and investment expenditure
    - Analyze the factors that determine government spending and net exports
-

- The Building Blocks of Keynesian Analysis
  - Evaluate the Keynesian view of recessions
  - Understand the factors that contribute to price stickiness
  - Analyze the impact of the expenditure multiplier
- The Phillips Curve
  - Understand the Phillips curve
  - Identify factors that cause the instability of the Phillips curve

### **Chapter 13: The Neoclassical Perspective**

- The Building Blocks of Neoclassical Analysis
  - Explain the importance of potential GDP in the long run
  - Analyze the role of flexible prices
  - Evaluate different ways for measuring the speed of macroeconomic adjustment
- The Policy Implications of the Neoclassical Perspective
  - Discuss why and how inflation expectations are measured
  - Analyze the impacts of fiscal policy and monetary policy on aggregate supply and aggregate demand
  - Explain the neoclassical Phillips curve
  - Explain the differences between neoclassical economics and Keynesian economics
- Balancing Keynesian and Neoclassical Models
  - Evaluate how neoclassical economists and Keynesian economists react to recessions
  - Analyze the interrelationship between the neoclassical and Keynesian economic models

### **Chapter 14: Money and Banking**

- Defining Money by Its Functions
  - Explain the various functions of money
  - Contrast commodity money and fiat money
  - Contrast M1 money supply and M2 money supply
- The Role of Banks and How Banks Create Money
  - Explain how banks act as intermediaries between savers and borrowers
  - Understand the money multiplier formula
  - Analyze and create T-account balance sheets

### **Chapter 15: Monetary Policy and Bank Regulation**

- Bank Regulation and Monetary Policy
    - Explain the structure and organization of the U.S. Federal Reserve
    - Explain the functions of a central bank
    - Discuss the purpose of bank regulation
    - Explain the reason for open market operations
    - Evaluate reserve requirements and discount rates
-

- Monetary Policy and Economic Outcomes
  - Explain how monetary policy impacts interest rates and aggregate demand
  - Evaluate Federal Reserve decisions over the last forty years
  - Explain the significance of quantitative easing (QE)
- Pitfalls for Monetary Policy
  - Analyze whether monetary policy decisions should be made more democratically
  - Understand the velocity of money

### **Chapter 16: Exchange Rates and International Capital Flows**

- How the Foreign Exchange Market Works
  - Define the foreign exchange market
  - Identify demanders and suppliers of currency
  - Explain how the appreciating or depreciating of currency affects exchange rates
  - Identify who benefits from a stronger currency and who benefits from a weaker currency
- Demand and Supply Shifts in Foreign Exchange Markets
  - Explain supply and demand for exchange rates
  - Define arbitrage
  - Explain relative inflation
  - Explain purchasing power parity's importance when comparing countries
- Macroeconomic Effects of Exchange Rates and Policies
  - Explain how exchange rate shifting influences aggregate demand
  - Define the various types of exchange rate systems
  - Identify the tradeoffs that come with a floating exchange rate, a soft peg, a hard peg, and a merged currency

### **Chapter 17: Government Budgets and Fiscal Policy**

- Government Spending
    - Understand total U.S. government spending
    - Understand state and local government spending
  - Taxation
    - Define federal taxes
    - Define state and local taxes
  - Federal Deficits and the National Debt
    - Explain the debt/GDP ratio
    - Explain the path from deficits to surpluses to deficits
  - Using Fiscal Policy to fight Recession, Unemployment, and Inflation
    - Explain expansionary fiscal policy
    - Explain contractionary fiscal policy
    - Explain how to counterbalance recessions and booms
  - Fiscal Policy and Balanced Budget
    - Understand the connection between fiscal policy and interest rates
    - Understand different types of lags and fiscal policies
-

**Chapter 18: The Impacts of Government Borrowing**

- Fiscal Policy, Investment, and Economic Growth
  - Explain the national saving and investment identity in terms of demand and supply
  - Explain crowding out and its effect on physical capital investment
  - Explain the relationship between budget deficits and interest rates
- Fiscal Policy and the Trade Balance
  - Discuss twin deficits as they relate to budget and trade deficit
  - Explain the relationship between budget deficits and exchange rates

**Chapter 19: Macroeconomic Policy Around the World**

- The Diversity of Countries and Economies across the World
  - Identify what classifies a country as low-income, middle-income, or high-income
  - Explain how standards of living are influenced by geography, demographics, industry structure, and economic institutions
  - Analyze growth policies for high-income, middle-income, and low-income countries
- Causes of Inflation and the Balance of Trade Concerns
  - Identify the causes and effects of inflation in various economic markets
  - Analyze concerns over international trade in goods and services and international flows of capital

**Chapter 20: International Trade**

- Absolute and Comparative Advantage
  - Explain gains from trade
  - Understand production possibilities and comparative advantage
  - Identify situations of mutually beneficial trade
  - Identify at least two advantages of intra-industry trading
- The Benefits of Reducing Barriers to International Trade
  - Explain tariffs as barriers to trade
  - Identify at least two benefits of reducing barriers to international trade

**Chapter 21: Globalization and Protectionism**

- Protectionism: An Indirect Subsidy from Consumers to Producers
    - Explain protectionism and its three main forms
    - Analyze protectionism through concepts of demand and supply, noting its effects on equilibrium
    - Calculate the effects of trade barriers
  - International Trade and its Effects on Jobs, Wages, and Working Conditions
    - Discuss how international trade influences the job market
    - Explain and analyze various arguments that are in support of restricting imports
  - Arguments in Support of Restricting Imports
    - Explain dumping and race to the bottom
    - Evaluate the significance of countries' perceptions on the benefits of growing trade
-



- How Trade Policy is Enacted: Globally, Regionally, and Nationally
    - Explain the origin and role of the World Trade Organization and the General Agreement on Tariffs and Trade
    - Discuss the significance and provide examples of regional trade agreements
  - The Tradeoffs of Trade Policy
    - Analyze trade policy at the national level
    - Assess the complexity of international trade
    - Explain disruptive market change
-