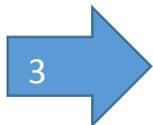
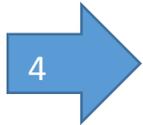


# AP Economics Unit 9: Stabilization Policy



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## MONETARY POLICY

### Evaluate Monetary Policy.

- Investigate the long run costs manipulating the M1 and IRs.

### Utilize your knowledge of a central bank, money supply and the macro economy.

- Synthesize the steps from monetary policy, through fractional banking and the money supply to changes in AD.

### Analyze monetary policy.

- Explain how each of the three monetary policy tools change the incentives in the banking system.
- Evaluate the effectiveness of each tool.
- Differentiate the Federal Funds Rate from the Discount Rate.
- Draw a correctly labeled graph of the money market.

### Comprehend the financial sector and the role of a central bank in the sector.

- Identify how each tool of monetary policy should be used for:
  - o Easy money policy
  - o Tight money policy

### Retrieve/Recall Basic Financial Sector Information.

- Identify the tools of Monetary Policy.
- Define the Quantity Theory of Money.

## BUDGET BALANCE AND CROWING OUT

### Evaluate the effect the most recent Fiscal Policy has had on the RIR.

- During recessions, what happens to the DLF by Firms and HHs?
- Did Crowding Out occur?

### Utilize your knowledge of the LF market to illustrate crowding out.

- Synthesize your knowledge of the LF market with a change to the DFL
- Identify the effect on the RIR.

### Analyze the effects budget balances have on the LF market.

- Link deficits with the DLF.

### Comprehend how budgets can be unbalanced.

- Spending issues
- Tax revenue issues
  - Rates
  - Household Income

### Retrieve/Recall Basic Fiscal Budget vocabulary.

- Deficit and Surplus
- Debt

## THE PHILLIPS CURVE

### Create an FRQ that assess a student's grasp of the Phillips Curve.

- Short and Long run questions.

### Utilize your knowledge of the AS/AD model to map its relationship to the Phillips Curve.

- How are changes in AD illustrated on the Phillips Curve?
- Changes in SRAS?

### Analyze the trade-off of policy.

- The SR effects of expansionary policy.
- The SR effects of contractionary policy.

### Illustrate a model that shows the SR and LR tradeoff between Inflation & Unemployment.

- Keep each axis consistent with other macro models.

### Show the causes of Inflation on the AS/AD model.

### Retrieve/Recall Basic Macro Information.

- Inflation
- Unemployment

### Identify the causes of Inflation in the AS/AD model.

## LONG RUN POLICY CRITIQUE

### Evaluate Neo-Classical economists (Hayek).

- Create an argument opposing the Neo-Classical.

### Assess the effects of policy in the long run.

- Use arguments from the Austrian (Hayek) philosophy.

### Analyze SR and LR effects of active policy.

- What are the circular effects in the LR?

### Comprehend and differentiate the opposing macroeconomic philosophies in the SR.

- The Demand-sider (Keynesian)?
- The Monetarist?

### Retrieve/Recall Active Policy tools from Units 5 and 6.

- Fiscal Policy
- Monetary Policy

### Recall the classical economist's approach to the LR macro-economy.

- Passive policy