This course supports the assessment for Global Economics for Managers. The course covers 5 competencies and represents 3 competency units.

**Introduction**

**Overview**
This course examines how economic tools, techniques, and indicators can be used for solving organizational problems related to competitiveness, productivity, and growth. You will explore the management implications of a variety of economic concepts and effective strategies to make decisions within a global context.

**Getting Started**
Welcome to Global Economics for Managers! Your primary resources are the Peng and Mankiw textbooks, both of which have practice activities that are available through MindTap and Aplia. These resources contain flashcards, videos, interactive quizzes, and homework questions to help you gain competency. A study guide for each chapter is available, as well as a cumulative study guide with questions designed to focus your learning for the objective assessment. You may also be interested in the recorded webinars and PowerPoint presentations throughout the course of study. Finally, live webinars are available; check the linked schedule for more information.

Watch the following welcome video for an introduction to this course:

*Note: To download this video, right-click the following link and choose “Save as...”: [download video](#).*

**Competencies**

This course provides guidance to help you demonstrate the following 5 competencies:

- **Competency 3012.1.1: Business Decision Making in the Global Environment**
  The graduate analyzes economic forces and operations of global markets in order to improve decision making.

- **Competency 3012.1.2: Political and Economic Forces**
  The graduate analyzes contemporary economic and political forces; their interrelationship; and their impact on the global business environment.

- **Competency 3012.1.3: Economic Decision Making by Firms and Consumers**
  The graduate applies economic concepts to managerial decision making.

- **Competency 3012.1.4: Microeconomic and Macroeconomic Principles**
  The graduate explains fundamental economic principles, including supply and demand, scarcity, opportunity cost, price, income and cross-price elasticities, role of government, inflation, and monetary and fiscal policy.

- **Competency 3012.1.5: Assessing Global Economic Performance and International Trade**
  The graduate describes global economic forces influencing production, consumption,
investments, and related policy challenges.

Course Instructor Assistance
While you prepare to demonstrate competency in this subject, remember that course instructors stand ready to help you reach your educational goals. As subject matter experts, mentors enjoy and take pride in helping students become reflective learners, problem solvers, and critical thinkers. Course instructors are excited to hear from you and eager to work with you.

Successful students report that working with a course instructor is the key to their success. Course instructors are able to share tips on approaches, tools, and skills that can help you apply the content you're studying. They also provide guidance in assessment preparation strategies, troubleshoot areas of deficiency, and guide you through the revision process if necessary. You should expect to work with course instructors for the duration of your coursework, so you are welcome to contact them as soon as you begin. Course instructors are fully committed to your success!

Preparing for Success

The information in this section is provided to detail the resources available for you to use as you complete this course.

Learning Resources
The learning resources listed in this section are required to complete the activities in this course. For many resources, WGU has provided automatic access through the course. However, you may need to enroll manually or acquire other resources independently. Read the full instructions provided to ensure that you have access to all of your resources in a timely manner.

Automatically Enrolled Resources

You can access the learning resources listed in this section by clicking on the links provided throughout the course. You may be prompted to log in to the WGU student portal to access the resources.

Cengage MindTap
You will access the materials in the following MindTap courseware at the activity level within this course.

- Global Economics for Managers

This web-based resource includes access to the following e-texts along with flashcards for mastering key concepts and vocabulary, videos, interactive quizzes, and homework questions.


*Note: These e-texts are available to you as part of your program tuition and fees, but you may
purchase hard copies at your own expense through a retailer of your choice. If you choose to do so, please use the ISBNs listed to ensure that you receive the correct editions.

The following video will show you how to access your Cengage MindTap learning resource and install the mobile app to your mobile device:

- MindTap App Navigational Video

Review the following tutorials to become familiar with MindTap:

- MindTap Basic Navigation
- MindTap Annotations
- MindTap Media
- MindTap Apps

Note: Throughout this courseware, you will see orange text stating, "counts toward grade." Please disregard this text. The assignments within this MindTap course will provide you and the course instructor feedback to identify problematic content areas that may need to be supplemented with other content matter. The objective assessment will determine a pass/fail for the course.

Note: In order to avoid experiencing any problems using the resources in MindTap, it is essential that your internet settings accept third party cookies with respect to this site. If you make this change and still experience problems accessing the material, you may want to change the browser that you are using. The use of Internet Explorer is not advisable.

Topics and Pacing
This outline is a guided structure of the topics recommended to complete the learning activities. It is provided as a suggested structure and can be adapted according to your knowledge, skills, and experience. Use the topics and pacing outline to support your completion of the course within the recommended timeframe.

Week 1

- Preparing for Success
- Globalization

Week 2

- International Trade and Foreign Exchange Markets

Week 3

- Political and Economic Forces
- Microeconomic Principles
Week 4

- Firm Behavior Under Different Market Structures

Week 5

- Consumer Behavior
- Macroeconomic Principles

Week 6

- Measuring Economic Performance
- International Trade
- Final Steps

Study Guide Questions

The study guide questions are a learning resource available for your use. You can use the study guide questions to measure your understanding of the materials covered in this course.

- Study Guide Questions—Essay

Live Webinar

In this course, you may choose to attend live webinars with a course instructor. To access the schedule, click the link below.

- Live Webinar Schedule

Business Decision Making in the Global Environment

This section examines the role business plays in addressing the integrated economic needs of the many countries and peoples of the world. It also explores how goals are achieved by understanding the risks and rewards stemming from the variety of world cultures and their various political, economic, and financial systems.

Globalization

Globalization is the close commercial integration of countries and people of the world through acceleration of the pace of specialization and trade among world economies. This leads to increasing integration of product and productive resource markets.

This topic addresses the following competency:

- Competency 3012.1.1: Business Decision Making in the Global Environment
  The graduate analyzes economic forces and operations of global markets in order to improve decision making.

This topic highlights the following objectives:

- Identify three views of globalization.
• Assess the importance of political realities governing international trade.
• Identify different political views on Foreign Direct Investment (FDI) based on the benefits and costs to host and home countries.
• Explain how resources and capabilities influence competitive dynamics of the firm.

**Read: Chapter 1 Globalizing Business**

Global business refers to business that is conducted around the world. It is important to study global business in order to understand what determines the success and failure of businesses around the globe. Two core perspectives on global business are the institution-based perspective and the resource-based view.

As you complete the assigned material below, pay attention to the following key point:

• the three views on globalization

After reading the chapter, you should be able to answer the study questions.

• **View the Chapter 1 Study Guide**

Access **Chapter 1 Globalizing Business** in *Global Business* and complete the following activities:

• Read the chapter.
• Review the flash cards.
• View the video ("New Balance in International Trade").
• Complete the interactive quiz.
  ▪ Focus on questions 7 and 18.
• Complete the Self-Check: Chapter 1 CNOW Homework.

**Read: Chapter 5 Trading Internationally**

Nations trade in order to exchange valuable, unique, hard-to-imitate resources and to share in the gains from trade. Countries gain from trade by exploiting their comparative advantages in the production of particular goods and services.

As you complete the assigned material below, pay attention to the following key points:

• tariff barriers
• nontariff barriers (NTBs)
• economic and political arguments against free trade

After reading the chapter, you should be able to answer the study questions.

• **View the Chapter 5 Study Guide**

Access **Chapter 5 Trading Internationally** in *Global Business* and complete the following activities:
Read the chapter.
Review the flash cards.
View the video ("Cuba Economy").
Complete the interactive quiz.
  - Focus on questions 6, 10, 16, 18, 19, and 20.
Complete the Self-Check: Chapter 5 CNOW Homework.

**Read: Chapter 6 Investing Abroad Directly**

Foreign direct investment refers to the hands-on management of foreign assets. Companies engage in foreign direct investment in order to directly manage, develop, and leverage their firm-specific resources and capabilities. Foreign direct investment has expanded in part because of more friendly norms, policies, and values toward the practice.

As you complete the assigned material below, pay attention to the following key points:

- radical view
- free-market view
- pragmatic nationalism view

After reading the chapter, you should be able to answer the study questions.

- **View the Chapter 6 Study Guide**

Access Chapter 6 Investing Abroad Directly in *Global Business* and complete the following activities:

- Read the chapter.
- Review the flash cards.
- View the video ("Thai Economy is Booming").
- Complete the interactive quiz.
  - Focus on questions 8 and 20.
- Complete the Self-Check: Chapter 6 CNOW Homework.

**Read: Chapter 11 Managing Global Competitive Dynamics**

Global competitive dynamics are influenced by

- industry conditions encouraging cooperation and collusion;
- formal institutions such as anti-trust and anti-dumping regulations;
- the characteristics of resources and capabilities; and
- the attacks, counterattacks, and signals available to companies.

As you complete the assigned material below, pay attention to the following key points:

- how firm resources create value when engaging rivals
- keying on rarity of assets of specific firms
- imitability or presence of substitutes available to competitors (ability to imitate
competitors’ successful strategy)

- organization of the firm, focusing on the ability to respond to competitive forces
- resource similarity (level of intensity of rivalries or competitive turf wars)

After reading the chapter, you should be able to answer the study questions.

- View the Chapter 11 Study Guide

Access Chapter 11 Managing Global Competitive Dynamics in Global Business and complete the following activities:

- Read the chapter.
- Review the flash cards.
- View the video ("US China Trade Row").
- Complete the interactive quiz.
  - Focus on question 21.
- Complete the Self-Check: Chapter 11 CNOW Homework.

**International Trade and Foreign Exchange Markets**

Nations trade in order to achieve some benefit for their citizens, such as a higher standard of living per capita. The foreign exchange market is necessary because there are two prices in international trade: the domestic price of the goods and the price of that currency in terms of the currency of the trading partner.

This topic addresses the following competency:

- Competency 3012.1.1: Business Decision Making in the Global Environment
  The graduate analyzes economic forces and operations of global markets in order to improve decision making.

This topic highlights the following objectives:

- Describe characteristics of classical and modern theories of international trade.
- Identify the determinants of foreign exchange rates.
- Explain how firms strategically respond to foreign exchange movements.
- Explain how efforts to achieve location specific advantages support strategic goals (where to enter).
- Identify first-mover and late-mover advantages (when to enter).
- Describe the comprehensive model of foreign market entries (how to enter).

**Review: Chapter 5 Trading Internationally**

Gains from trade arise for a variety of reasons. Theories of international trade include mercantilism, absolute advantage, comparative advantage, product lifecycle, strategic trade, and national competitive advantage.

As you complete the assigned material below, pay attention to the following key points:
After reading the chapter, you should be able to answer the study questions.

- View the Chapter 5 Study Guide

Access Chapter 5 Trading Internationally in Global Business and complete the following activities:

- Review the chapter.
- Complete the interactive quiz.
  - Focus on questions 2, 3, 4, 5, 8, 9, 14, and 15.

Read: Chapter 7 Dealing with Foreign Exchange

International trade involves currencies from around the globe. Managers must understand foreign exchange and exchange rates in order to profit from and manage international trade.

As you complete the assigned material below, pay attention to the following key points:

- basic supply and demand issues of foreign exchange
- relative price differences and purchasing power parity
- interest rates and money supply
- productivity and balance of payments
- exchange rate policies (from floating to fixed)
- investor psychology
- currency hedging
- strategic hedging

After reading the chapter, you should be able to answer the study questions.

- View the Chapter 7 Study Guide

Access Chapter 7 Dealing with Foreign Exchange in Global Business and complete the following activities:

- Read the chapter.
- Review the flash cards.
- View the video ("EU Central Bank Interest Rates").
- Complete the interactive quiz.
- Complete the Self-Check: Chapter 7 CNOW Homework.

Read: Chapter 10 Entering Foreign Markets
Businesses can enter foreign markets in a variety of ways, each with advantages and disadvantages. Key questions include where, when, and how to enter a foreign market. Entry can be accomplished through either equity or non-equity modes such as direct exports, licensing, joint ventures, and acquisitions.

As you complete the listed material below, pay attention to the following key points:

- location-specific advantages and strategic goals
- cultural/institutional distances and foreign entry locations
- first mover advantages, or early-market entrants
- late mover advantages, or later-market entrants
- scale of entry: commitment and experience
- modes of entry: the first step—equity versus non-equity modes
- modes of entry: the second step—making actual selections

After reading the chapter, you should be able to answer the study questions.

- View the Chapter 10 Study Guide

Access Chapter 10 Entering Foreign Markets in Global Business and complete the following activities:

- Read the chapter.
- Review the flash cards.
- View the video ("China Fried Chicken").
- Complete the interactive quiz.
- Complete the Self-Check: Chapter 10 CNOW Homework.

**Political and Economic Forces**

A global business must deal with a range of political systems and maneuver successfully among a network of economic forces and policies.

**Political and Economic Forces**

Just like having two differing prices in international trade, there are political systems that run the gamut from various forms of socialism to free-market capitalism. Success in this environment requires the knowledge and use of such tools as hedging techniques as reflected in financial markets highlighted by foreign exchange forward, futures, and options markets.

This topic addresses the following competency:

- Competency 3012.1.2: Political and Economic Forces
  
  The graduate analyzes contemporary economic and political forces; their interrelationship; and their impact on the global business environment.

This topic highlights the following objectives:
• Explain how institutions reduce uncertainty.
• Identify the two core propositions underpinning an institution-based view of global business.
• Explain how the differences between democracy and totalitarianism affect global business.
• Contrast between civil law, common law, and theocratic law.
• Explain the purpose and characteristics of property rights.
• Describe the differences among market economy, command economy, and mixed economy.

Read: Chapter 2 Understanding Formal Institutions: Politics, Laws, and Economics

Institutions set the “rules of the game” for competition and international trade. Formal institutions include laws, regulations, and political and legal systems.

As you complete the assigned material below, pay attention to the following key points:

• formal institutions: regulatory pillars
• informal institutions: normative and cognitive pillars
• democracy and totalitarianism
• political risk in emerging markets (often totalitarian)
• civil, common, and theocratic law
• varying degrees of property rights
• market, command, and mixed economy

After reading the chapter, you should be able to answer the study questions.

• View the Chapter 2 Study Guide

Access Chapter 2 Understanding Formal Institutions: Politics, Laws, and Economics in Global Business and complete the following activities:

• Read the chapter.
• Review the flash cards.
• View the video ("India and China Economic Giants").
• Complete the interactive quiz.
• Complete the Self-Check: Chapter 2 CNOW Homework.

Microeconomic and Macroeconomic Principles

Microeconomics is concerned with how individuals and firms make decisions. Macroeconomics involves the study of how the economy works as a whole. In microeconomics, supply and demand combine to determine equilibrium quantities and prices. Elasticity indicates the responses of consumers and producers to changes in prices and income. In macroeconomics, fiscal and monetary policies combine to affect business cycles, aggregate demand, inflation, and unemployment.

Microeconomic Principles
The study of microeconomics focuses on the laws of supply and demand, elasticity, and the effect of government interventions. According to the laws of supply and demand, when prices increase, quantity supplied will go up whereas quantity demanded will go down. Elasticity describes how people respond to changes in their income, in the price of a good, or in the price of a related good. Government interventions, including price ceilings and floors, further impact equilibrium quantities and prices.

This topic addresses the following competency:

- **Competency 3012.1.4: Microeconomic and Macroeconomic Principles**
  The graduate explains fundamental economic principles, including supply and demand, scarcity, opportunity cost, price, income and cross-price elasticities, role of government, inflation, and monetary and fiscal policy.

This topic highlights the following objectives:

- Analyze how demand curves shift in response to economic events.
- Explain how supply and demand determine equilibrium price and quantity.
- Compare price elasticity of demand, cross-price elasticity of demand, income elasticity of demand, and price elasticity of supply.

**Read: Chapter 4 The Market Forces of Supply and Demand**

Economists use the forces of supply and demand to analyze equilibrium prices and quantities. At equilibrium in competitive markets, the quantity supplied equals the quantity demanded.

As you complete the listed material below, pay attention to the following key points:

- market, competitive market
- demand, quantity demanded
- supply, quantity supplied
- demand curve, demand schedule, supply curve, supply schedule
- normal good, inferior good, substitutes, complements
- law of supply, law of demand
- equilibrium, equilibrium price, equilibrium quantity
- surplus, shortage

The following videos may help you prepare for the objective assessment:

- [Demand and Supply video](#)
- [Demand and Supply transcript](#)

- [Determinants and the Demand Curve video](#)
- [Determinants and the Demand Curve transcript](#)

- [Equilibrium video](#)
- [Equilibrium transcript](#)
Access [Chapter 4 The Market Forces of Supply and Demand](#) in Principles of Economics and complete the following activities:

- View the Mankiw Roadmap video.
- Read the chapter.
- Complete the self-assessment.
  - Complete Chapter 4: Problem Walk-Throughs
  - Complete Chapter 4: Direct-from-Text Homework
  - Complete Chapter 4: Aplia Homework

**Read: Chapter 4 Elasticity and Its Application**

Applied to demand, elasticity describes how the quantity of a good demands changes as its own price changes, the prices of other goods change, or the consumer’s income changes. Elasticity of supply describes how producers respond to changes in the price of a good.

As you complete the listed material below, pay attention to the following key points:

- elasticity
- total revenue
- price elasticity of demand
- income elasticity of demand
- cross-price elasticity of demand
- price elasticity of supply

The following videos may help you prepare for the objective assessment:

- [Price Elasticity of Demand video](#)
- [Price Elasticity of Demand transcript](#)
- [Cross Elasticity of Demand video](#)
- [Cross Elasticity of Demand transcript](#)
- [Income Elasticity of Demand & Elasticity of Supply video](#)
- [Income Elasticity of Demand & Elasticity of Supply transcript](#)

Access [Chapter 5 Elasticity and Its Application](#) in Principles of Economics and complete the following activities:

- View the Mankiw Roadmap video.
- Read the chapter.
- Complete the self-assessment.
  - Complete Chapter 5: Problem Walk-Throughs
  - Complete Chapter 5: Direct-from-Text Homework
  - Complete Chapter 5: Aplia Homework

**Economic Decision Making by Firms and Consumers**
Firms and consumers use marginal analysis to make economic decisions in order to maximize their profit and utility, respectively. Firms consider marginal costs and marginal revenues, whereas consumers consider marginal utility.

**Firm Behavior Under Different Market Structures**

In order to maximize their profits, firms make decisions with respect to equilibrium output and price that differ depending on the structure of the market in which they operate. Market structures include perfectly competitive markets, monopolistic competition, oligopoly, and monopoly.

This topic addresses the following competency:

- **Competency 3012.1.3: Economic Decision Making by Firms and Consumers**
  The graduate applies economic concepts to managerial decision making.

This topic highlights the following objectives:

- Explain how total cost and marginal cost are related.
- Identify the condition when competitive firms under perfect competition decide to shut down production temporarily.
- Analyze the demand curve for a firm under monopoly and perfect competition.
- Explain how a monopoly determines the quantity to produce and the price to charge.
- Describe the characteristics of monopolistic competition.
- Apply the prisoner’s dilemma to oligopoly.

**Read: Chapter 13 The Costs of Production**

Profit-maximizing firms make production and pricing decisions based on their costs of production. It is important to understand the types of costs in order to analyze firm behavior and market outcomes. Economists take opportunity costs into account when calculating economic profit.

As you complete the listed material below, pay attention to the following key points:

- total revenue, total cost
- opportunity cost
- profit, economic profit, accounting profit
- explicit costs, implicit costs
- production function, marginal product, diminishing marginal product
- fixed costs, variable costs
- average total cost, average fixed cost, average variable cost
- marginal cost
- economies and diseconomies of scale, constant returns to scale

The following videos may help you prepare for the objective assessment:

- [Total Cost and Marginal Cost video](#)
Firms in competitive markets produce a quantity of output such that marginal revenue equals marginal cost. Because firms in competitive markets are price takers, their marginal revenue equals the market price. Hence, firms in competitive markets set output so that price equals marginal cost. With free entry and exit, economic profit in competitive markets is driven down to zero in the long-run.

As you complete the listed material below, pay attention to the following key points:

- competitive market
- average revenue
- marginal revenue
- profit maximization

The following video may help you prepare for the objective assessment:

- Competitive Firms Under Perfect Competition video
- Competitive Firms Under Perfect Competition transcript

Access Chapter 14 Firms in Competitive Markets in Principles of Economics and complete the following activities:

- View the video ("BBC: Ben Stein").
- Complete the follow-up quiz.
- Read the chapter.
- Complete the self-assessment.
  - Complete Chapter 14: Problem Walk-Throughs
  - Complete Chapter 14: Direct-from-Text Homework
  - Complete Chapter 14: Aplia Homework

Read: Chapter 15 Monopoly
Unlike firms in competitive markets, monopolists are sole producers. In comparison to firms in competitive markets, monopolists produce less, sell at a higher price, and earn greater profits. There is a deadweight loss to society associated with monopolies.

As you complete the listed material below, pay attention to the following key points:

- monopoly
- natural monopoly
- price discrimination
- welfare
- deadweight loss

The following video may help you prepare for the objective assessment:

- Demand Curves Under Perfect Competition and Monopoly video
- Demand Curves Under Perfect Competition and Monopoly transcript

Access Chapter 15 Monopoly in Principles of Economics and complete the following activities:

- View the Mankiw Roadmap video.
- Read the chapter.
- Complete the self-assessment.
  - Complete Chapter 15: Problem Walk-Throughs
  - Complete Chapter 15: Direct-from-Text Homework
  - Complete Chapter 15: Aplia Homework

**Read: Chapter 16 Monopolistic Competition**

Monopolistically competitive markets consist of many firms selling differentiated products with free entry. Firms in monopolistically competitive markets set output so that they have excess capacity and price above their marginal costs. There is a deadweight loss to society associated with monopolistic competition, although it is smaller than the deadweight loss associated with monopoly.

As you complete the listed material below, pay attention to the following key points:

- monopolistic competition
- differentiation

The following video may help you prepare for the objective assessment:

- Monopoly and Monopolistic Competition video
- Monopoly and Monopolistic Competition transcript

Access Chapter 16 Monopolistic Competition in Principles of Economics and complete the following activities:
Oligopolies are markets with only a few sellers. Oligopolists can maximize their profits by forming a cartel and setting price and quantity as if they were a monopolist. However, the prisoner’s dilemma tells us that it is difficult to maintain cooperation in cartels. Hence, oligopolies tend to have lower prices and higher levels of output than monopolies.

As you complete the listed material below, pay attention to the following key points:

- oligopoly
- collusion
- cartel
- prisoner’s dilemma

The following video may help you prepare for the objective assessment:

- Oligopoly video
- Oligopoly transcript

Access Chapter 17 Oligopoly in Principles of Economics and complete the following activities:

- View the Mankiw Roadmap video.
- Read the chapter.
- Complete the self-assessment.
  - Complete Chapter 17: Problem Walk-Throughs
  - Complete Chapter 17: Direct-from-Text Homework
  - Complete Chapter 17: Aplia Homework

Consumer Behavior
Consumers who make rational decisions will maximize the utility they derive from the goods and services they purchase subject to their preferences and budget constraints. Both managers and consumers benefit from understanding how consumers make these decisions.

This topic addresses the following competency:

- Competency 3012.1.3: Economic Decision Making by Firms and Consumers
  The graduate applies economic concepts to managerial decision making.

This topic highlights the following objective:
Identify optimal choices for consumers given income and prices.

**Read: Chapter 21 The Theory of Consumer Choice**

This section describes how consumers make decisions given the prices of goods and their income. These decisions determine demand.

As you complete the listed material below, pay attention to the following key points:

- budget constraint
- indifference curve
- marginal rate of substitution
- perfect substitutes, perfect complements
- normal good, inferior good
- income effect, substitution effect

The following video may help you prepare for the objective assessment:

- Consumer Choice video
- Consumer Choice transcript

Access Chapter 21 The Theory of Consumer Choice in Principles of Economics and complete the following activities:

- View the video ("BBC: Coffee").
- Complete the follow-up quiz.
- Read the chapter.
- Complete the self-assessment.
  - Complete Chapter 21: Problem Walk-Throughs
  - Complete Chapter 21: Direct-from-Text Homework
  - Complete Chapter 21: Aplia Homework

**Microeconomic and Macroeconomic Principles, Part II**

This section returns to the study of microeconomic and macroeconomic principles. Macroeconomics is concerned with the functioning of the economy as a whole.

**Macroeconomic Principles**

Fiscal and monetary policies are the key tools used to offset swings in the business cycle. Fiscal policies are implemented by the government through spending and taxes. Monetary policies are implemented by the Federal Reserve primarily through open-market operations, reserve ratios, and the discount rate. Policy makers intervene in the economy to correct downturns in the business cycle and control aggregate demand, inflation, and unemployment.

This topic addresses the following competency:

- **Competency 3012.1.4: Microeconomic and Macroeconomic Principles**
  The graduate explains fundamental economic principles, including supply and demand,
scarcity, opportunity cost, price, income and cross-price elasticities, role of government, inflation, and monetary and fiscal policy.

This topic highlights the following objectives:

- Describe the Federal Reserve’s tools of monetary control.
- Analyze how monetary policy and fiscal policy affect interest rates and aggregate demand.

**Read: Chapter 29 The Monetary System**

Changes in the money supply have profound effects on the economy. The Federal Reserve controls the money supply through monetary policy, including open-market operations, reserve ratios, and the discount rate.

As you complete the listed material below, pay attention to the following key points:

- money, money supply
- Federal Reserve
- monetary policy
- reserve ratio, reserve requirements
- open-market operations
- discount rate

The following video may help you prepare for the objective assessment:

- Fiscal and Monetary Policies video
- Fiscal and Monetary Policies transcript

Access **Chapter 29 The Monetary System** in Principles of Economics and complete the following activities:

- View the Mankiw Roadmap video.
- Read the chapter.
- Complete the self-assessment.
  - Complete Chapter 29: Problem Walk-Throughs
  - Complete Chapter 29: Direct-from-Text Homework
  - Complete Chapter 29: Aplia Homework

**Read: Chapter 34 The Influence of Monetary and Fiscal Policy on Aggregate Demand**

Aggregate demand can be amplified by an increase in government spending, a reduction in taxes, or an increase in the money supply by the Federal Reserve. Aggregate demand is important to study because it determines the size of GDP.

As you complete the listed material below, pay attention to the following key points:

- liquidity preference
monetary policy
fiscal policy
multiplier effect
crowding-out effect
automatic stabilizers

The following video may help you prepare for the objective assessment:

- Fiscal and Monetary Policies video
- Fiscal and Monetary Policies transcript

Access Chapter 34 The Influence of Monetary and Fiscal Policy on Aggregate Demand in Principles of Economics and complete the following activities:

- View the video ("BBC: Bush’s Tax Cut").
- Complete the follow-up quiz.
- Read the chapter.
- Complete the self-assessment.
  - Complete Chapter 34: Problem Walk-Throughs
  - Complete Chapter 34: Direct-from-Text Homework
  - Complete Chapter 34: Aplia Homework

Assessing Global Economic Performance and International Trade

The accurate measurement of economic performance is essential for effective policy design. Economic policy makers need to know the size of the economy, the standard of living enjoyed by a nation’s citizens, the cost of living, and the health of the financial system. Countries can increase their gross domestic product (GDP) and standard of living through international trade if each has a comparative advantage in producing certain goods and services.

Measuring Economic Performance

Economic performance is measured in a variety of ways. Gross domestic product (GDP) is used to indicate the size of the economy while the consumer price index (CPI) is used to measure inflation. These and other macroeconomic measurements are important since they ultimately determine a country’s productivity and standard of living. The availability of loanable funds indicates liquidity in the economy.

This topic addresses the following competency:

- Competency 3012.1.5: Assessing Global Economic Performance and International Trade
  The graduate describes global economic forces influencing production, consumption, investments, and related policy challenges.

This topic highlights the following objectives:
- Explain consumer and producer surplus.
- Explain how components of gross domestic product (GDP) affect aggregate demand.

**Read: Chapter 7 Consumers, Producers, and the Efficiency of Markets**

An allocation of scarce resources that maximizes the sum of consumer surplus and producer surplus is said to be efficient. Equilibrium outcomes in competitive markets are efficient. Policy makers are concerned with the efficiency as well as the equality of economic systems.

As you complete the listed material below, pay attention to the following key points:

- welfare
- willingness to pay
- consumer surplus, producer surplus
- efficiency
- equality

The following video may help you prepare for the objective assessment:

- [Consumer and Producer Surplus video](#)
- [Consumer and Producer Surplus transcript](#)

Access **Chapter 7 Consumers, Producers, and the Efficiency of Markets** in *Principles of Economics* and complete the following activities:

- View the Mankiw Roadmap video.
- Read the chapter.
- Complete the self-assessment.
  - Complete Chapter 7: Problem Walk-Throughs
  - Complete Chapter 7: Direct-from-Text Homework
  - Complete Chapter 7: Aplia Homework

**Read: Chapter 23 Measuring a Nation’s Income**

Economists measure national income primarily by gross domestic product or GDP. GDP is equal to the sum of consumption, investment, government purchases, and net exports (exports minus imports).

As you complete the listed material below, pay attention to the following key points:

- gross domestic product (GDP)
- consumption, investment, government purchases, net exports
- nominal versus real GDP
- GDP deflator

The following videos may help you prepare for the objective assessment:

- [Defining GDP video](#)
International Trade

International trade involves the exchange of goods, services, and capital between nations. International trade is influenced by the comparative advantages of nations and is limited by the tariffs that countries enact to protect their domestic industries. Countries gain from international trade when they have different relative efficiencies in producing certain goods and services.

This topic addresses the following competency:

- Competency 3012.1.5: Assessing Global Economic Performance and International Trade
  The graduate describes global economic forces influencing production, consumption, investments, and related policy challenges.

This topic highlights the following objective:

- Analyze the effects of tariffs on various stakeholders.

Read: Chapter 9 Application: International Trade

The effects of trade can be anticipated by comparing the domestic price of a good before trade with the world price. A low domestic price indicates that the country has a comparative advantage in the production of a good. Some sectors will be better off while others will be worse off after opening trade. Tariffs limit trade between countries and raise the prices of goods.

As you complete the listed material below, pay attention to the following key points:

- world price
- tariff

Access Chapter 9 Application: International Trade in Principles of Economics and complete the following activities:
- View the video ("BBC: Outsourcing").
- Complete the follow-up quiz.
- Read the chapter.
- Complete the self-assessment.
  - Complete Chapter 9: Problem Walk-Throughs
  - Complete Chapter 9: Direct-from-Text Homework
  - Complete Chapter 9: Aplia Homework

**Final Steps**

Congratulations on completing the activities in this course! This course has prepared you to complete the assessment associated with this course. If you have not already been directed to complete the assessment, schedule and complete it now.