

AP Macroeconomics Metacognition Review Guide / Student

Student Instructions

This tool is designed to help you prepare for formal assessments in the AP Macro course. Each unit has four areas to help you study.

#1 Unit Title/Big Ideas

Big Ideas are the College Board’s compelling questions for each unit. You will often see threads or themes that run throughout the course. After filling in the Concepts to Know and Base Graphs/Formulas sections, write a paragraph with relevant examples drawn from the unit guide that summarizes each Big Idea.

#3 Concepts to Know

This section comes directly from the College Board Course and Exam Description (CED). Fill in the blanks as you work through the unit. They can serve as an informal knowledge check.

#2 Base Graphs/Formulas

When instructed by your teacher, draw a base graph (no shifts or manipulations needed) with all relevant information clearly labeled, OR write down the formula for making generic calculations. This information can help you in free-response and multiple-choice questions.

NOTE: Not every topic’s section has an associated graph or formula, so many of these sections will be blank.

#4 Got It/Need to Study

After completing a unit, use these columns to reflect on your understanding of the associated statements in the Concepts to Know section. If you can answer questions about the concept correctly, check the “Got it!” column. It’s recommended that you not spend too much extra time or effort studying something you already know. If you are unsure or incorrectly answer questions about the concept, you should mark it as “Need to Study” and focus on understanding these areas when preparing for a formal assessment.

UNIT 1: Basic Economic Concepts				
BIG IDEA 2: Markets				
Why do people and countries trade with one another?				
What determines the market price for a good or service?				
BIG IDEA 3: Macroeconomic Models				
Why is there no such thing as a free lunch?				
Base Graphs/Formulas	Concept to Know	Got It!	Need to Study	
TOPIC 1.1 Scarcity				
	Individuals and societies are forced to make choices because most resources are scarce.			
TOPIC 1.2 Opportunity Cost and the Production Possibilities Curve (PPC)				
BASE GRAPH #1	The PPC is a model used to show the trade-offs associated with allocating resources. The PPC can be used to illustrate the FIVE concepts of _____, _____, and _____. The shape of the PPC depends on whether opportunity costs are constant, _____, or _____. The PPC can shift because of changes in _____ as well as changes in productivity/technology. Economic growth results in a(n) _____ of the PPC.			
PPC Model				
TOPIC 1.3 Comparative Advantage and Gains from Trade				
	_____ advantage describes a situation in which an individual, business, or country can produce more of a good or service than any other producer with the same quantity of resources.			
	_____ advantage describes a situation in which an individual, business, or country can produce a good or service at a lower opportunity cost than another producer.			

UNIT 1: Basic Economic Concepts

BIG IDEA 2: Markets

Why do people and countries trade with one another?
 What determines the market price for a good or service?

BIG IDEA 3: Macroeconomic Models

Why is there no such thing as a free lunch?

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 1.1 Scarcity			
	Individuals and societies are forced to make choices because most resources are scarce.		
TOPIC 1.2 Opportunity Cost and the Production Possibilities Curve (PPC)			
BASE GRAPH #1 PPC Model	The PPC is a model used to show the trade-offs associated with allocating resources.		
	The PPC can be used to illustrate these concepts: _____ _____.		
	The shape of the PPC depends on whether opportunity costs are constant, _____, or _____.		
	The PPC can shift because of changes in _____ as well as changes in productivity/technology.		
	Economic growth results in a(n) _____ of the PPC.		
TOPIC 1.3 Comparative Advantage and Gains from Trade			
	_____ advantage describes a situation in which an individual, business, or country can produce more of a good or service than any other producer with the same quantity of resources.		
	_____ advantage describes a situation in which an individual, business, or country can produce a good or service at a lower opportunity cost than another producer.		

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 1.3 Comparative Advantage and Gains from Trade, cont'd			
	Production specialization according to _____ results in exchange opportunities that lead to consumption opportunities beyond the PPC.		
	Comparative advantage and opportunity costs determine the terms of trade for exchange under which _____ trade can occur.		
TOPIC 1.4 Demand			
	The law of demand states there is a(n) _____ relationship between price and quantity demanded, leading to a downward-sloping demand curve.		
	Factors that influence consumer demand and cause the market demand curve to shift include: _____ _____.		
TOPIC 1.5 Supply			
	The law of supply states there is a _____ relationship between price and quantity supplied, leading to an upward-sloping supply curve.		
	Factors that influence producer supply and cause the market supply curve to shift include: _____ _____ _____.		
TOPIC 1.6 Market Equilibrium, Disequilibrium, and Changes in Equilibrium			
BASE GRAPH #2 Demand/Supply	_____ is achieved at the price at which quantities demanded and supplied are equal.		
	Whenever markets experience imbalances—creating disequilibrium prices, _____, and _____—market forces drive prices toward equilibrium.		
	Changes in the determinants of supply and/or demand result in a new equilibrium _____ and _____.		

UNIT 2: Economic Indicators and the Business Cycle

BIG IDEA 1: Economic Measurements

How is one person's spending another person's income?

How do we know if an economy is doing well or poorly?

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 2.1 The Circular Flow and GDP			
	_____ is a measure of final output of the economy.		
	GDP as a total flow of income and expenditure can be represented by the _____ diagram.		
	There are three ways of measuring GDP: the _____ approach, the _____ approach, and the _____ approach.		
TOPIC 2.2 Limitations of GDP			
	GDP is a useful indicator of a nation's economic performance, but it has some limitations, such as failing to account for _____.		
TOPIC 2.3 Unemployment			
BASE FORMULA #1 Labor Participation Rate	The _____ is the percentage of the labor force that is out of work.		
	The _____ rate is another measure of the labor market activity in an economy. The labor force participation rate is the _____ of the adult population that is in the labor force.		
BASE FORMULA #2 Unemployment Rate	The measured unemployment rate is often criticized for understating the level of joblessness because it excludes groups such as _____ workers and _____ workers.		
	Economists primarily focus on three types of unemployment: _____, _____, and _____.		
	The natural rate of unemployment is the unemployment rate that would exist when the economy produces full-employment real output. It is equal to the sum of _____ and _____ unemployment.		

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 2.3 Unemployment, cont'd			
	The deviation of the actual unemployment rate from the natural rate is _____ unemployment.		
	The natural rate of unemployment can gradually change over time because of such things as _____.		
TOPIC 2.4 Price Indices and Inflation			
BASE FORMULA #3 Consumer Price Index	The _____ measures the change in income a consumer would need in order to maintain the same standard of living over time under a new set of prices as under the original set of prices.		
	The CPI measures the cost of a fixed basket of goods and services in a given year relative to the _____.		
	The inflation rate is determined by calculating the percentage change in a _____, such as CPI or the GDP deflator.		
	Real variables, such as real wages, are the nominal variables deflated by the _____.		
	The CPI as a measure of inflation has some shortcomings, such a _____, causing it to overstate the true inflation rate.		
TOPIC 2.5 Costs of Inflation			
	_____ inflation arbitrarily redistributes wealth from one group of individuals to another group, such as lenders to borrowers.		

TOPIC 2.6 Real v. Nominal GDP			
BASE FORMULA #4 GDP Deflator	_____ GDP is a measure of how much is spent on output. _____ GDP is a measure of how much is produced.		
	Nominal GDP measures aggregate output using _____ prices. Real GDP measures aggregate output using _____ prices, thus removing the effect of changes in the overall price level.		
	One way of measuring real GDP is to weigh _____ goods and services by their prices in a base year. Because this can lead to overstatement of real GDP growth, statistical agencies actually use different methods.		
	Nominal GDP can be converted to real GDP by using the _____.		
TOPIC 2.7 Business Cycles			
	_____ are fluctuations in aggregate output and employment due to changes in aggregate supply and/or aggregate demand.		
	The phases of a business cycle are _____ and _____.		
	The turning points of a business cycle are _____ and _____.		
	The difference between actual output and potential output is the _____.		
	Potential output is also called _____. It is the level of GDP where unemployment is equal to the natural rate of unemployment.		

UNIT 3: National Income and Price Determination

BIG IDEA 3: Macroeconomic Models

How do spending and production decisions made by households, businesses, the government, and the rest of the world affect an economy?

BIG IDEA 4: Macroeconomic Policies

How do policy decisions regarding taxation and government spending affect an economy?

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 3.1 Aggregate Demand (AD)			
	The aggregate demand (AD) curve describes the relationship between the _____ and the quantity of _____ demanded by households (consumption), firms (investment), government (government spending), and the rest of the world (net exports).		
	The negative slope of the AD curve is explained by the _____ effect, the _____ effect, and the _____ effect.		
	Any change to the components of aggregate demand (_____, _____, _____, or _____) that is not due to changes in the price level leads to a shift of the AD curve.		
TOPIC 3.2 Multipliers			
BASE FORMULA #5 Spending Multiplier	A \$1 change to autonomous expenditures leads to further changes in total _____ and total _____.		
	The _____ multiplier quantifies the size of the change in aggregate demand as a result of a change in any of the components of aggregate demand.		
BASE FORMULA #6 Tax Multiplier	The _____ multiplier quantifies the size of the change in aggregate demand as a result of a change in taxes.		
	The marginal propensity to consume is the change in consumer spending divided by the change in disposable income. The sum of the marginal propensity to consume and marginal propensity to save is equal to _____.		

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 3.3 Short-Run Aggregate Supply (SRAS)			
	The short-run aggregate supply (SRAS) curve describes the relationship between the _____ and the quantity of _____ supplied in an economy.		
	The SRAS curve is _____ because of sticky wages and prices.		
	Any factor that causes _____ costs to change, such as a change in inflationary expectations, will cause the SRAS curve to shift.		
	Moving along the SRAS curve, an increase in the price level is associated with an increase in output, which means employment must correspondingly rise. With the labor force held constant, unemployment will fall. So, there is a short-run trade-off between _____ and _____.		
TOPIC 3.4 Long-Run Aggregate Supply (LRAS)			
	In the long run _____ and _____ are fully flexible, while in the short run some input prices are fixed. A consequence of flexible long-run prices and wages is the lack of a long-run trade-off between inflation and unemployment.		
	The LRAS curve corresponds to the _____ because they both represent maximum sustainable capacity. Maximum sustainable capacity is the total output an economic system will produce over a set period of time if all resources are fully employed.		
	The LRAS curve is _____ at the full-employment level of output because in the long run wages and prices fully adjust.		

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 3.7 Long-Run Self-Adjustment			
<p>BASE GRAPH #6 AD/AS at Full Employment/ Long-Run Equilibrium</p>	<p>In the long run, in the absence of government policy actions, flexible wages and prices will adjust to restore full employment and unemployment will revert to its _____ after a shock to aggregate demand or short-run aggregate supply.</p>		
	<p>Shifts in the long-run aggregate supply curve indicate changes in the _____ level of output and economic growth.</p>		
TOPIC 3.8 Fiscal Policy			
	<p>Governments implement _____ to achieve macroeconomic goals, such as full employment.</p>		
	<p>The tools of fiscal policy are government _____ and _____.</p>		
	<p>Changes in government spending affect aggregate demand _____, and changes in taxes/transfers affect aggregate demand _____.</p>		
	<p>The government spending multiplier is _____ than the tax multiplier.</p>		
	<p>_____ or _____ fiscal policies are used to restore full employment when the economy is in a negative (i.e., recessionary) or positive (i.e., inflationary) output gap.</p>		
	<p>Fiscal policy can influence aggregate _____, real _____, and the price level.</p>		
	<p>The AD–AS model is used to demonstrate the _____ effects of fiscal policy.</p>		
	<p>In reality, there are lags to _____ fiscal policy because of factors such as the time it takes to decide on and implement a policy action.</p>		

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 3.9 Automatic Stabilizers			
	_____ support the economy during recessions and help prevent the economy from being overheated during expansionary periods.		
	Tax revenues _____ automatically as GDP falls, preventing consumption and the economy from falling further.		
	Tax revenues _____ automatically as GDP rises, slowing consumption and preventing the economy from overheating.		
	Government policies, institutions, or agencies may also have social service programs whose _____ act as automatic stabilizers.		

UNIT 4: Financial Sector

BIG IDEA 1: Economic Measurements

What is money?

BIG IDEA 2: Markets

How is the price of money determined?

BIG IDEA 4: Macroeconomic Policies

How do banks create money?

How do the actions of a country's central bank affect financial decision making and the economy?

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 4.1 Financial Assets			
	The most liquid forms of money are _____ and _____.		
	Other financial assets people can hold in place of the most liquid forms of money include _____ (interest-bearing assets) and _____ (equity).		
	The price of previously issued bonds and interest rates on bonds are _____ related.		
	The opportunity cost of holding money is the _____ that could have been earned from holding other financial assets such as bonds.		
TOPIC 4.2 Nominal v. Real Interest Rates			
BASE FORMULA #7 Nominal Interest Rate	A _____ is the rate of interest paid for a loan, unadjusted for inflation.		
	Lenders and borrowers establish nominal interest rates as the sum of their expected _____ rate and expected _____.		
	A real interest rate can be calculated in hindsight by subtracting the _____ inflation rate from the _____ interest rate.		

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 4.3 Definition, Measurement, and Functions of Money			
	_____ is any asset that is accepted as a means of payment.		
	Money serves THREE functions: _____, _____, and _____.		
	The money supply is measured using monetary aggregates designated as _____ and _____.		
	The _____ (often labeled as M0 or MB) includes currency in circulation and bank reserves.		
TOPIC 4.4 Banking and the Expansion of the Money Supply			
	Depository institutions (such as commercial banks) organize their _____ and _____ on balance sheets.		
	Depository institutions operate using _____ banking.		
	Banks' reserves are divided into _____ reserves and _____ reserves.		
	Excess reserves are the basis of _____ of the money supply by the banking system.		
	The money multiplier is the ratio of the money supply to the _____.		
	The size of expansion of the money supply depends on the _____.		
	The maximum value of the money multiplier can be calculated as the reciprocal of the _____.		
	The amount predicted by the simple money multiplier may be overstated because it does not take into account a bank's desire to hold _____ reserves or the public holding more currency.		

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 4.5 The Money Market			
<p>BASE GRAPH #7 The Money Market</p>	The demand for money shows the _____ relationship between the nominal interest rate and the quantity of money people want to hold.		
	Given a monetary base determined by a country's central bank, money supply is independent of the _____.		
	In the money market, equilibrium is achieved when the _____ is such that the quantities demanded and supplied of money are equal.		
	Disequilibrium nominal interest rates create _____ and _____ in the money market. Market forces drive nominal interest rates toward equilibrium.		
	Factors that shift the demand for money include: _____ _____ _____ _____.		
TOPIC 4.6 Monetary Policy			
<p>BASE GRAPH #8 The Reserve Market</p>	Central banks implement monetary policies to achieve _____ goals, such as price stability.		

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 4.6 Monetary Policy, cont'd			
	<p>The tools of monetary policy may include the central bank's _____, _____, _____, _____, _____, and the _____.</p> <p>The tools used and the way in which they are implemented differ between economies that have limited reserves in their banking system and economies that have ample reserves in their banking system. (The banking system in the United States has ample reserves, and the Federal Reserve's key policy tool is interest on reserves.)</p>		
	<p>When the central bank conducts an open-market purchase, reserves _____, thereby _____ the monetary base. When a central bank conducts an open-market sale, reserves _____, thereby _____ the monetary base.</p>		
	<p>When the central bank conducts an open-market purchase in an economy with limited reserves, the effect on the money supply is _____ than the effect on the monetary base because of the money multiplier.</p>		
	<p>Many central banks carry out policy to hit a _____ for an overnight interbank lending rate, sometimes referred to as the central bank's policy rate. (In the United States, this is the federal funds rate.)</p>		
	<p>Central banks can influence the _____ in the short run, which in turn will affect investment and consumption. In an economy with limited reserves, the central bank can influence the nominal interest rate by changing the money supply. In an economy with ample reserves, changes in the money supply do not effectively change the nominal interest rate; instead, the central bank can influence the nominal interest rate by changing its administered interest rates.</p>		

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 4.6 Monetary Policy, cont'd			
	Expansionary or contractionary monetary policies are used to restore full employment when the economy is in a _____ (i.e., recessionary) or _____ (i.e., inflationary) output gap.		
	Monetary policy can influence FOUR things: _____, _____, _____, and _____.		
	A _____, a reserve market model, and/or the AD–AS model may be used to demonstrate the short-run effects of monetary policy.		
	In reality, there are lags to _____ caused by the time it takes to recognize a problem in the economy and the time it takes the economy to adjust to the policy action.		
TOPIC 4.7 The Loanable Funds Market			
BASE GRAPH #9 Loanable Funds Market	The loanable funds market describes the behavior of _____ and _____.		
	The demand for loanable funds shows the _____ relationship between real interest rates and the quantity demanded of loanable funds.		
	The supply of loanable funds shows the _____ relationship between real interest rates and the quantity supplied of loanable funds.		
	In the absence of international borrowing and lending, national savings is the sum of _____ savings and _____ savings.		
	For an open economy, investment equals _____ plus net _____.		
	In the loanable funds market, equilibrium is achieved when the _____ are such that the quantities demanded and supplied of loanable funds are equal.		

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 4.7 The Loanable Funds Market, cont'd			
	Disequilibrium real interest rates create _____ and _____ in the loanable funds market. Market forces drive real interest rates toward equilibrium.		
	The loanable funds market can be used to show the effects of government _____, _____, and _____ on interest rates.		
	Factors that shift the _____ (such as an investment tax credit) and _____ (such as changes in saving behavior) of loanable funds change the equilibrium interest rate and the equilibrium quantity of funds.		

UNIT 5: Long-Run Consequences of Stabilization Policies

BIG IDEA 1: Economic Measurements

How does an economy grow?

BIG IDEA 3: Macroeconomic Models

What is the relationship between inflation and unemployment?

BIG IDEA 4: Macroeconomic Policies

How do monetary and fiscal policies affect the economy in the long run?

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 5.1 Fiscal and Monetary Policy Actions in the Short Run			
	A combination of expansionary or contractionary fiscal and monetary policies may be used to restore _____ when the economy is in a negative (i.e., recessionary) or positive (i.e., inflationary) output gap.		
	A combination of fiscal and monetary policies can influence _____, _____, _____, and _____.		
TOPIC 5.2 The Phillips Curve			
BASE GRAPH #10 Phillips Curve	The short-run trade-off between _____ and _____ can be illustrated by the downward-sloping short-run Phillips curve (SRPC).		
	An economy is always operating somewhere along the _____.		
	The long-run relationship between inflation and unemployment can be illustrated by the long-run Phillips curve (LRPC), which is vertical at the _____.		
	Long-run equilibrium corresponds to the intersection of the _____ and the _____.		
	Points to the left of long-run equilibrium represent _____ gaps, while points to the right of long-run equilibrium represent _____ gaps.		

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 5.2 The Phillips Curve, cont'd			
	Demand shocks correspond to _____ of the SRPC.		
	Supply shocks correspond to _____ of the SRPC.		
	Factors that cause the natural _____ to change will cause the LRPC to shift.		
TOPIC 5.3 Money Growth and Inflation			
BASE FORMULA #8: Quantity Theory of Money	Inflation results from _____ the money supply at too rapid of a rate for a sustained period of time. Deflation results from _____ the money supply at too rapid of a rate for a sustained period of time.		
	When the economy is at full employment, changes in the money supply have _____ effect on real output in the long run.		
	In the long run, the growth rate of the money supply determines the growth rate of the price level (inflation rate) according to the _____.		
TOPIC 5.4 Government Deficits and the National Debt			
	The government budget surplus (deficit) is the difference between _____ and _____ plus transfer payments in a given year.		
	A government adds to the _____ when it runs a budget deficit.		
	A government must pay _____ on its accumulated debt, thus increasing the national debt and increasingly forgoing using those funds for alternative uses.		

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 5.5 Crowding Out			
	When a government is in budget _____, it typically borrows to finance its spending.		
	A _____ model can be used to show the effect of government borrowing on the equilibrium real interest rate and the resulting crowding out of private investment.		
	_____ refers to the adverse effect of increased government borrowing, which leads to decreased levels of interest-sensitive private sector spending in the short run.		
	A potential long-run impact of crowding out is a lower rate of physical capital accumulation and less _____ as a result.		
TOPIC 5.6 Economic Growth			
	_____ can be measured as the growth rate in real GDP per capita over time.		
	Aggregate _____ and aggregate _____ are directly related because firms need to employ more workers in order to produce more output, holding other factors constant. This is captured by the aggregate production function.		
	Output per employed worker is a measure of _____.		
	_____ is determined by the level of technology and physical and human capital per worker.		
	The aggregate production function shows that _____ is positively related to both physical and human capital per capita.		
	An outward shift in the PPC is analogous to a _____ shift of the long-run aggregate supply curve.		

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 5.7 Public Policy and Economic Growth			
	Public policies that impact productivity and labor force participation affect _____ and _____.		
	Government policies that invest in _____ and _____ affect growth.		
	_____ fiscal policies affect aggregate demand, aggregate supply, and potential output in the short run and long run by influencing incentives that affect household and business economic behavior.		

UNIT 6: Open Economy International Trade and Finance

BIG IDEA 1: Economic Measurements

Why does the balance of payments balance?

BIG IDEA 2: Markets

Why does the price of one nation's currency relative to another nation's currency change?

How do changes in the value of a country's currency affect that country's economy?

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 6.1 Balance of Payments Accounts			
	The _____ records net exports, net income from abroad, and net unilateral transfers.		
	The CA is not always balanced; it may show a surplus or a deficit. A nation's _____ (i.e., net exports) is part of the current account and may also show a surplus or a deficit.		
	The _____ records financial capital transfers and purchases and sales of assets between countries.		
	The CFA is not always balanced; it may show a surplus (financial capital _____) or a deficit (financial capital _____).		
	The _____ is an accounting system that records a country's international transactions for a particular time period. It consists of the CA and the CFA.		
	Any transaction that causes money to flow into a country is a _____ to its BOP account, and any transaction that causes money to flow out is a _____. The sum of all credit entries should match the sum of all debit entries ($CA + CFA = 0$).		

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 6.2 Exchange Rates			
	In the _____, one currency is exchanged for another; the price of one currency in terms of the other is the _____.		
	If one currency becomes more valuable in terms of the other, it is said to _____. If one currency becomes less valuable in terms of the other, it is said to _____.		
TOPIC 6.3 The Foreign Exchange Market			
BASE GRAPH #11 FOREX Market	The demand for a currency in a foreign exchange market arises from the demand for the country's goods, services, and financial assets and shows the _____ relationship between the exchange rate and the quantity demanded of a currency.		
	The supply of a currency in a foreign exchange market arises from making payments in other currencies and shows the _____ relationship between the exchange rate and the quantity supplied of a currency.		
	In the foreign exchange market, _____ is achieved when the exchange rate is such that the quantities demanded and supplied of the currency are equal.		
	Disequilibrium exchange rates create _____ and _____ in the foreign exchange market. Market forces drive exchange rates toward equilibrium.		

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 6.4 Effect of Changes in Policies and Economic Conditions on the Foreign Exchange Market			
	Factors that shift the _____ for a currency (such as the desire for a country’s goods, services, or assets) and the _____ of a currency (such as tariffs or quotas on the other country’s goods and services) change the equilibrium exchange rate.		
	Fiscal policy can influence aggregate demand, real output, the price level, and _____.		
	Monetary policy can influence aggregate demand, real output, the price level, and _____, and thereby affect exchange rates.		
TOPIC 6.5 Changes in the Foreign Exchange Market and Net Exports			
	Factors that cause a currency to appreciate cause that country’s exports to _____ and its imports to _____. As a result, net exports will _____.		
	Factors that cause a currency to depreciate cause that country’s exports to _____ and its imports to _____. As a result, net exports will _____.		
TOPIC 6.6 Real Interest Rates and International Capital Flows			
	In an open economy, differences in real interest rates across countries change the relative values of domestic and foreign assets. Financial capital will flow _____ the country with the relatively higher interest rate.		
	Central banks can influence the domestic interest rate in the short run, which in turn will affect net capital _____.		