



AP Microeconomics

Course Summary:

Microeconomics emphasizes how individuals make choices with limited resources. The student will examine concepts such as supply and demand, factors of production, roles of labor and management, the relationship between the environment and the economy, and the impact of the government on individual decision making processes. The student studies the stock market as an investment option and trace various stocks through the semester using the Wall Street Journal and the Internet as resources.

Course Outline

1. Unit One

1. Motif and Course Information
2. Graphing Basics
 - After completing this lesson, you will be able to draw and analyze economics graphs.
3. Economic Basics
 - Define the functions of any economic system: what, how, for whom to produce.
 - Describe and analyze the economic way of thinking.
4. Production Possibilities Curve
 - Graph and interpret data.
 - Apply the concept of opportunity costs to a production possibilities curve.
 - Describe different shapes of production possibilities curves and their meaning.
5. Types of Economic Systems
 - After completing this lesson, you will be able to compare and contrast different types of economic systems.
6. Economic Reasoning Activity
 - Identify the conditions that give rise to the economic problem of scarcity.
 - Describe developed vs. undeveloped countries.
 - Apply the concept of scarcity to different economic situations.
 - Define scarcity and explain how it affects the microeconomy.
 - Identify opportunity costs of various situations.
7. Absolute/Comparative Advantage
 - After completing this lesson, you will be able to define and give examples of comparative and absolute advantage.
8. Understanding Economic Basics
9. Unit One Review and Exam

2. Unit Two

1. Demand
 - Identify the determinants of demand.

- Interpret demand graphs.
 - Distinguish between demand and quantity demanded.
 - Evaluate the law demand.
2. Supply
 - List and explain the determinants of supply.
 - Construct supply graphs.
 - Distinguish between supply and quantity supplied and illustrate each.
 - Evaluate the law supply.
 3. Equilibrium
 - Describe the behavior of buyers and sellers in a competitive marketplace.
 - Define and graph market equilibrium on schedules and graphs.
 - Define and graph surpluses and shortages.
 4. Shifts in Supply and Demand
 - Analyze graphs to determine which curve shifts and why.
 - Understand how to answer a basic free response question.
 5. Elasticity Introduction
 - Define and explain price elasticity of demand, price elasticity of supply, cross elasticity of demand, income elasticity of demand.
 - Explain price elasticity of demand, price elasticity of supply, cross elasticity of demand, income elasticity of demand.
 6. Elasticity Applications
 - Analyze and explain applications of types of elasticity.
 - Draw graphs demonstrating the different types of elasticity.
 7. Consumer and Producer Surplus
 - Define and explain consumer surplus and producer surplus.
 - Identify and explain deadweight loss.
 - Explain market efficiency and inefficiency.
 8. Models of Consumer Choice
 - Identify and explain the models of consumer choice.
 - Analyze and explain indifference curves; income and substitution effects and marginal rate of substitution.
 9. Government Interference in the Equilibrium Process
 - Define price ceilings and floors.
 - Analyze the advantages and disadvantages of price ceilings and floors; the impact of production quotas.
 - Graph price ceilings and floors.
 10. Excise Tax
 - After completing this lesson, you will be able to analyze the impact of various taxes on buyers and sellers.
 11. Review and Exam

3. Unit Three

1. Production Costs
 - Explain the difference between accounting and economic profit
 - Identify and differentiate the various costs of production
 - Distinguish between marginal, total and average revenue
2. Graphing Cost Curves
 - Identify the various cost curves that suppliers track to make economically sound business decisions
 - Interpret the best combination of labor, land and capital for a particular producer
 - Evaluate where efficiency in production is reached

- Explain why the total product curve is the most important variable in production
3. Perfect Competition
 - Understand the characteristics of a purely or perfectly competitive industry
 - Describe a normal profit
 - Explain profit maximization
 - Understand long run, versus short run profit
 - Explain the efficiencies and inefficiencies of a purely competitive market
 4. Perfect Competition Model: Short Run Equilibrium
 - Explain and analyze the perfect competition model
 - Explain how perfect competitors make decisions in the short run
 5. Perfect Competition Model: Long Run Equilibrium
 - Explain and analyze the perfect competition model
 - Explain how perfect competitors make decisions in the long run
 - Explain why the perfectly competitive firm is inefficient
 6. Inefficiency of the Monopoly
 - Analyze the characteristics of monopoly
 - Illustrate the characteristics of monopoly
 - Explain how a monopolist determines price and output
 - Explain why the monopoly outcome is inefficient
 7. Regulating Monopolies
 - Describe how monopolies are regulated
 - Evaluate the effectiveness of regulation
 - Discuss the characteristics of a natural monopoly
 8. Consumer and Producer Surplus
 - After completing this lesson, you will be able to compare and contrast the perfect competition and monopoly models.
 9. Monopolistic Competition
 - Explain and analyze the monopolistic competition model
 - Describe product differentiation and the role of advertising
 - Explain how firms make decisions in the short and long run; describe excess capacity and inefficiency
 10. Oligopoly
 - Explain the oligopoly model
 - Analyze the oligopoly model
 - Describe interdependence, price collusion, and cartel behavior
 - Classify the types of mergers
 - Interpret the government's test to allow or disallow mergers
 - Discuss game theory and strategic behavior
 11. Market Structure - Summarized
 - Compare and contrast the four major market structures that exist in our economy
 - Explain the benefits and costs of each market structure
 - Identify key industries that fit within each market structure
 - Explain the likelihood of short run and long run profit in each market structure
 12. Unit Three Review and Exam

4. **Unit Four**

1. Circular Flow Model
 - Classify types of market structure, stages of circular flow
 - Distinguish the difference between monopsony and perfect competition
 - Identify parts of the product market

2. Marginal Productivity Theory of Resource Demand
 - Determine how many people should be hired for a perfect competitor and a monopsony
 - Clarify the difference between monopsony and perfect competitor
3. Determinants of Resource Demand
 - Identify and explain the determinants of resource demand
 - Explain the elasticity of resource demand; explain derived factor demand
4. Minimum Wages, Bilateral Monopolies, and Unions
 - Explain the impact of minimum wages on a monopsony employer
 - Explain how unions impact wages
 - Analyze how unions impact monoposony power
5. Financial Markets
 - Explain the demand for financial capital, supply of financial capital, financial market equilibrium, and the interest rate
 - Explain the marginal rate of substitution (MPL/MPK).
 - Identify the optimal combination of two different resources to produce a certain output, given appropriate data
 - Identify the combination of resources and output level that will maximize profits for a firm, given appropriate data
6. Review and Exam

5. **Unit Five**

1. Private vs. Public Goods
 - After completing this lesson, you will be able to describe the difference between public and private goods.
2. Externalities
 - Analyze marginal social benefit and marginal social cost.
 - Explain and graph positive and negative externalities.
 - Identify common remedies to negative externalities.
 - Explain the Coase Theorem and property rights.
3. Economics Situations: Environment and Government
 - After completing this lesson, you will be able to analyze how marginal analysis can determine the optimum amount of pollution cleanup.
4. Introduction to Taxes
 - After completing this lesson, you will be able to identify and explain the different types of tax structures.
5. Income Distribution
 - Describe and analyze economic inequality.
 - Explain the Lorenz curve, the Gini ratio and the effect of government redistribution of income programs on economic inequality in the economy.
6. Review and Exam

6. **Unit Six**

1. Wrapping it up!
2. Guided Review
3. Final Exam