

AP MICROECONOMICS

SYLLABUS

The AP Microeconomic course is designed as an initial college level course in microeconomics as a foundation for possible future study in economics or business. The students' second goal of the course is to prepare for the AP Exam. The examination will take place in May. Passing the exam will result in college credits at almost all colleges and universities. Throughout the course, students will have ample opportunity to improve their writing, speaking, critical thinking, and consensus building skills.

In this course students will create an understanding for economic approach to decision - making, study the tools and methods economist use for problem solving, and develop a basic understanding of market and market failures. Students will be expected to apply quantitative and mathematical skills to economics, as well as, express themselves in written text.

COURSE REQUIREMENTS

After completing the course students should be able to do all of the following:

1. Define and understand the key terms given at the end of each chapter.
2. Use graphical and mathematical tools of microeconomic theory as demonstrated in class, the text, and homework.
3. Explain the nature and function of product markets.
4. Explain the various market structures
5. Describe the role of government regulation in the economy.
6. Describe the various school of economic thought.

TEXTS

Required text: Schiller, Bradley J. *The Economy Today*. 10th ed. New York, NY: McGraw Hill Irwin, 2006.

Supplementary reading text: Roger L. Miller. *The Economics of Public Issues*. 2nd ed. Boston, MA: Pearson Addison-Wesley.

Supplementary reading text: Todd Buchholz, *New Ideas from Dead Economists*, New York: Plame, 1999.

Workbook of economic activities: Morton, John. *Advanced Placement Economics*, 3rd ed. New York, NY: National Council on Economic Education, 2003.

COURSE OUTLINE

Unit I: Introduction to Economic

TOPIC I: Basic Economic Concepts

- 1A. Scarcity - What is it? Why is it so important to economic thought?
- 2B. Opportunity Costs – Define and compute it. Why can it never be avoided?
- 3C. Production Possibilities Model – Construct and interpret PPC schedules and graphs;
- 4 relate PPC to issues of scarcity, choice and cost. Why are most PPC's bowed out?
- 5D. Specialization Comparative Advantage and Trade – Define and calculate absolute and
- 6 comparative advantages for production exchange.
- E. Functions of Any Economic System – What to produce? How to produce? For whom to produce? Define ways societies determine allocation, efficiency and equity.

TOPIC II: Demand, Supply and Price Determination

- A. Demand- Define and illustrate demand through schedules and graphs.
 1. Distinguish between changes in quantity demanded and changes in demand.
 2. Examine the inverse relationship existing between quantity demanded and price. Evaluate the Law of Demand.
 3. Identify and explain the variables which cause a change in quantity demanded.
 4. Illustrate graphically a change in demand versus a change in quantity demanded.
- B. Supply – Define and illustrate supply through schedules and graphs.
 1. Distinguish between changes in quantity supplied and changes in supply.

2. Examine the direct relationship existing between quantity supplied and price. Evaluate the Law of Supply.
3. Identify and explain the variables which cause a change in supply.
4. Illustrate graphically a change in supply versus a change in quantity supplied.

C. Equilibrium Price and Quantity – Define and illustrate equilibrium through schedules and graphs.

1. Define and illustrate surpluses and shortages.
2. Define the effects of surpluses and shortages on price and quantities.
3. Interpret the effects of a price floor and price ceiling on equilibrium price and quantity.
4. Introduction to market failures: Lack of competition, externalities, and public goods.

Topic III: Elasticity of Supply and Demand

TEXTBOOK CHAPTERS (1 – 4)

MORTON WORKBOOK (1 - 11)

BUCHHOLZ: *The Second Coming of Adam Smith*

BUCHHOLZ: *The Angry Oracle of Karl Marx*

SIMULATION GAME: *Market in Wheat*

QUIZ # 1: BASIC ECONOMIC CONCEPTS

QUIZ # 2: SUPPLY AND DEMAND

UNIT TEST

CR1- The course teaches students basic economic concepts.

CR5- The course promotes understanding of economic decision-making and its factors, such as marginal analysis and opportunity costs.

CR6- The course teaches how to generate, interpret, label, and analyze graphs, charts, and data to describe and explain economic concepts.

UNIT II: Product Markets

Topic I: Cost and Revenues

- A. Law of Diminishing Returns
- B. Cost Curves
 - 1. Fixed Costs
 - 2. Variable Costs
 - 3. Marginal Costs
- C. Total Revenue
- D. Marginal Revenue
- E. Profit and Loss / Break Even
- F. Shut Down Point
- G. Economic vs. Accounting Profit

Topic II: Long Run

- A. Returns of Scale
- B. Specialization
- C. Dimensional Factors
- D. LRAC – U shaped or Flat

TEXTBOOK CHAPTERS (20 – 21)

MORTON WORKBOOK (13 – 27)

MILLER: *“Is Water Different”*

MILLER: *“Coffee, Tea, or tuition Free?”*

QUIZ # 3: DEMAND FOR GOODS

UNIT TEST

CR2- The course provides students with instruction in the nature and functions of product markets.

CR6- The course teaches how to generate, interpret, label, and analyze graphs, charts, and data to describe and explain economic concepts.

UNIT III: PERFECT COMPETITION

Topics I: Relationship between Industry and Firm

- A. Market Structures
 - 1. Number of Firms
 - 2. Identical Products
 - 3. Low Barrier Entry
- B. Price takers
- C. Market Demand Curve
- D. Production Decision
- E. Profit Maximization Rule
- F. Shut down Decisions

Topic II: Competitive Markets

- A. Market Supply Curve
- B. Exit and Entry
- C. Tendency Towards Zero Profits
- D. Graphically Illustrate Market

TEXTBOOK CHAPTERS (22 – 23)

MORTON WORKBOOK (30 - 36)

QUIZ # 4: MARKET STRUCTURES

UNIT TEST

CR2- The course provides students with instruction in the nature and functions of product markets.

CR6- The course teaches how to generate, interpret, label, and analyze graphs, charts, and data to describe and explain economic concepts.

UNIT IV: IMPERFECT COMPETITION

Topic I: Monopolies

- A. Market Power
- B. Downward Sloping Demand Curve
- C. Pricing and Profits
- D. Marginal Revenue
- E. Economies of Scale
- F. Profit Maximization

Topic II: Oligopolies

- A. Game Theory
- B. Payoff Matrix
- C. Prisoner's Dilemma
- D. Collusive Oligopoly

Topic III: Monopolistic Competition

- A. Short Run
- B. Long Run

TEXTBOOK CHAPTERS (24-26)

MORTON WORKBOOK (37 – 44)

MILLER: *“Keeping Competition Out”*

MILLER: *“The Perils of Product Differentiation”*

MILLER: *“Contracts, Combinations, and Conspiracies”*

QUIZ # 6: MONOPOLIES

QUIZ # 7: OLIGOPOLIES

UNIT TEST

CR2- The course provides students with instruction in the nature and functions of product markets.

CR6- The course teaches how to generate, interpret, label, and analyze graphs, charts, and data to describe and explain economic concepts.

UNIT V: FACTOR MARKETS

Topic I: Labor Market

- A. Review Diminishing Returns
- B. Derived Demand
- C. Backward Bending Supply
- D. Marginal Physical Product

E. Marginal Revenue Product

Topic II: Labor Unions

- A. Marginal Wage
- B. Goals of Unions
- C. Monopsony
- D. Marginal Factor Cost
- E. Equilibrium
- F. Effects of Minimum Wage

Topic III: Financial Markets

- A. Role of financial Markets**
- B. Present Value / Future Profits**
- C. The Stock Market**
- D. The Bond Market**
- E. The Foreign Exchange Market**
- F. Markets of Physical Capital**
- G. Economic Rent**

TEXTBOOK CHAPTERS (30,31,32)

MORTON WORKBOOK (50 – 57)

MILLER: *“The Effects of Minimum Wage”*

QUIZ # 8: LABOR MARKET

QUIZ: # 9: FINANCIAL MARKETS

UNIT TEST

CR3- The course provides students with instruction in factor markets.

CR5- The course promotes understanding of economic decision-making and its factors, such as marginal analysis and opportunity costs

VI. THE ROLE OF GOVERNMENT

Topic I: Regulation of Business

- A. Market Failures

- B. Anti-Trust Laws
- C. Declining ATC Curve
- D. Regulatory Options (Price, Profit, Output)
- E. Cost of Regulation
- F. Deregulation in Practice

Topic II: Environmental Issues

- A. Types of Pollution
- B. Market Incentives
- C. External Costs: Market Failures
- D. Market Based Options
- E. Tradable Pollution Permits
- F. Command and Control
- G. Cost Benefit Analysis

Topic III: Farm Market

- A. Competition in Agriculture
- B. U.S. Farm Policy
- C. Price Supports, Supply Restrictions, and Subsidies

TEXTBOOK CHAPTERS (27 – 29)

MORTON WORKBOOK (67 – 71)

MILLER: “*Trashman Cometh*”

MILLER: “*Greenhouse Economics*”

QUIZ # 10: DEREGULATION

QUIZ #11: ENVIRONMENTAL ECONOMICS

UNIT TEST

CR4- The course provides students with instruction in market failure and the role of government.

VII. REVIEW

- A. Review for AP Microeconomic Exam
- B. Student Oral Reports on Various economic topics using New York Times and the Wall Street Journal
- C. Practice Multiple Choice for AP exam.
- D. Practice Free Response for AP Exam

