**AP Microeconomics**

"Every individual intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his original intention. By pursuing his own interest he frequently promotes that of society more effectively than when he really intends to promote it."

*~*Adam Smith, (1776) Wealth Of Nations

**AP Philosophy:**
This course is designed as an initial college-level course in macroeconomics and as a foundation for possible future study in economics or business. Therefore coursework and the level of difficulty in AP Microeconomics is the equivalent of a college introductory Economics course.  Grading is based heavily on tests and quizzes.

In addition, the course is designed to prepare students to take the AP Exam in May.  Grading is done to AP level standards using rubrics established on past AP exams.  Ultimately, the goals of this course include preparing students with the right tools and knowledge to do well on the AP Exam as well as giving students a new lens to through which to view the world.  Students will develop a disciplined way of thinking that will serve them well throughout their lives.

AP Microeconomics is an option for students who have successfully completed Intro to Economics or have strong academic credentials.  Students will satisfy their ½ credit economics graduation requirement upon successful completion of this course.  Students will receive a thorough understanding of the principles of economics that apply to the functions of individual decision makers, both consumers and producers, within an economic system.  The main focus of the course is the nature and function of product markets, and includes the study of factor markets and the role of government in promoting greater efficiency and equity in the economy.

**Students studying AP Microeconomics:**

1. Will learn basic economic concepts of scarcity, opportunity cost, trade-offs, production possibility curves, comparative advantage, incentives, and marginal analysis.
2. Will understand the determinants of supply and demand and ways in which changes in these determinants affect equilibrium price and output.  Students will differentiate, for both supply and demand, between movements along the curve and shifts in the curve.
3. Will analyze the impact of government policies, including price ceilings, price floors, excise taxes, tariffs, and quotas on market equilibrium price and quantity.
4. Will construct and analyze a supply and demand graph in a given situation, illustrating consumer surplus, producer surplus, deadweight loss, allocative efficiency, and productive efficiency.
5. Will understand and apply concepts of elasticity, including price elasticity, cross-price, income, elasticities of demand and price elasticity of supply.
6. Will understand consumer choice: utility, the law of diminishing marginal utility, and utility maximizing conditions in explaining consumer decisions.
7. Will analyze production and cost in both the short and long run.  Students will understand the relationships among short-run costs: total cost, average cost, and marginal cost.  Students will examine economies and diseconomies of scale in the long-run.
8. Will apply concepts of accounting profit, economic profit, profit-maximizing  rule, using marginal analysis in the behavior of firms in different types of market structures.
9. Will show and explain short-run for both the industry and firm in perfect competition including adjustment process to long-run equilibrium.
10. Will show and explain the market behavior of a monopolist in a given situation.  Students will compare level of output, price and profits between monopolist and perfect competition.
11. Will understand the interdependency of firms in an oligopoly, including interpreting a simple payoff matrix using game-theory strategy.
12. Will examine firm behavior in monopolistic competition including product differentiation, role of advertising, excess capacity, and pricing.
13. Will apply concepts of supply and demand to resource markets of land, labor, and capital, including an analysis of derived demand, marginal physical product and product price to determine marginal revenue product, and marginal resource cost.
14. Will show and explain the determination of wages and level of employment in a given situation.
15. Will analyze market failures and the effectiveness of government policies such as taxation and subsidies to correct market failures and achieve economic efficiency.

**Grades:**Grades are based on accumulated points throughout the semester.

**80% of semester grade** will be determined by points earned through:

* **Daily work & Homework —**Students will be expected to practice economic logic and understanding in completion of assignments..
* **Free Response—**Students will be expected to demonstrate learning by constructing answers to free-response questions which include graphs with correct labels, links demonstrating economic logic, and correct analysis of given problem.  Grading will be consistent to established AP rubrics.
* **Module quizzes—**Shorter, topic specific formative assessments which measure progress toward mastery of content.
* **Section tests—**There will be longer, comprehensive tests at the end of each section of learning..  The format will be similar to the AP exam consisting of multiple choice questions and free-response questions.

**20% of semester grade** will be determined by points earned through

* **Final Exam**—Cumulative semester final based on AP Microeconomics format, 60 multiple choice & 3 free response questions.

**Do not make grades the most important thing in this course, the journey is as important as the destination.**Test corrections provide the opportunity to learn from one’s mistakes, take advantage of earning points back on assessments through correcting errors on quizzes & tests.

B+ = 83.50-84.99% C+ = 72.50-73.99% D+ = 61.50-62.99%

A = 86.51-100% B = 75.50-83.49% C = 64.50-72.49% D = 53.50-61.49%

A- = 85-86.5% B- = 74.00-75.49%  C- = 63.00-64.49%        D- = 52.00-53.49%

**\*NOTE\*** *Students who do not earn a passing grade of C- or better in AP Micro will not be able to enroll in AP Macro.*
**Success:**There are no guarantees of success, but here are some keys:

* **Read every assignment thoroughly!**Take notes on what you read.  If you do not read you will miss important information and make this class more difficult.
* **Participate!**It is good practice at organizing and expressing your thoughts quickly and precisely.  Don’t worry about being right, if you can do everything perfectly the first time why would you be taking this course?!  We want to learn from our mistakes…
* **Form a study group with one or two others!** This is an effective way of completing assignments and preparing for exams.  Find an econ “study buddy”

**Class website:  nrhsapeconomics.weebly.com**

**Textbook:**
Ray, Margaret & Anderson, David. *Krugman for AP\* Economics.* New York:  Bedford, Freeman, and Worth. 2011. <http://bcs.worthpublishers.com/Krugman_AP_Econ/#t_664864>

* Reading the assigned chapters independently, using the various supplements as needed.  All the material is “fair game” on quizzes and tests, classroom discussion of all the material is not possible.  Students are responsible for reading and understanding the textbook.  Any questions or confusion should be brought up during class for discussion.

**Recommended AP Study Guide:**
Dodge, Eric R. *5 Steps to a 5 AP Micro/Macro*. New York: McGraw Hill. 2013-14.

**Supplemental Resources:**
Anderson, David. *Economics by Example.* New York: Worth Publishers. 2007.

*Advanced Placement* *Economics: Microeconomics, Student Activities*. 4th ed. New York: National Council on Economic Education. 2012

Wheelen, Charles. *Naked Economics: Undressing the dismal science (Fully Updated and Revised).* New York: W. W. Norton and Company. 2010.

**Class website:** http://www.reffonomics.com

**AP Microeconomics Content:**

I.   Basic Economic Concepts                    (8-14%)

* Scarcity, opportunity costs, trade-offs, production possibilities curve (PPC), market economy, command economy, mixed economy, basic economic questions, absolute advantage, comparative advantage, specialization, property rights, incentives, marginal analysis, David Ricardo, Adam Smith, Karl Marx

II.   Nature of Markets (55-70%)

A.    Supply & Demand (15-20%)

* Supply, determinants of supply, law of supply, demand, determinants of demand, law of demand, equilibrium price and quantity, movements along curve v. shifts in curves, price ceilings, price floors, government policies of taxes, tariffs, subsidies on equilibrium price and quantity, Elasticity: price, cross-price, income elasticities of demand, price elasticity of supply consumer choice, law of diminishing marginal utility, decision-making, income and substitution effects on demand, consumer surplus, producer surplus, deadweight loss

B.    Theory of Consumer Choice (5-10%)

* Total utility, marginal utility, utility maximization, marginal utility per dollar, individual demand curve, market demand curve, income and substitution effects

C.    Production and Costs (10-15%)

* Short-run production function, relationship between quantity of inputs and quantity of outputs, marginal product, average product, total product, law of diminishing marginal returns, productivity, costs, short-run costs, total costs, average costs, marginal costs, cost minimization, long-run costs, economies of scale, diseconomies of scale, returns to scale

D.  Firm Behavior and market structure (25-35%)

 1.  Profit

* + Market structures, accounting profits, economic profits, profit maximizing rule, marginal cost = marginal revenue

2.  Perfect Competition

* + Profit maximization, short-run industry and firm, equilibrium price, marginal revenue, average revenue, marginal cost, average cost, profit, long-run equilibrium adjustment, allocative and productive efficiency.  Construction and application of average total cost, average variable cost, marginal cost curves, marginal revenue, demand curve in a given market; student will determine equilibrium price and output.

3.  Monopoly

* + Monopoly power, monopolist’s demand curve, monopolist’s marginal revenue curve, allocative efficiency, productive efficiency, deadweight loss, price discrimination, natural monopoly

4.   Oligopoly

* + Oligopoly, collusion, cartel, payoff matrix, game-theory model, interdependence, strategic behavior, dominant strategy, Nash equilibrium.  Interpretation of payoff matrix using game-theory.

5.   Monopolistic Competition

* + Monopolistic competition, product differentiation, advertising, excess capacity, inefficiency.  Construction and application of average total cost, average variable cost, marginal cost curves, marginal revenue, demand curve in a given market; student will determine equilibrium price and output, including allocative and productive efficiency of monopolistic competition.

IV.   Factor Markets                             (10-18%)

A.  Derived factor market

B.  Marginal revenue product

C.  Hiring decisions in the markets for labor and capital

* Resource market, businesses = demand, individuals = supply, factors such as land, labor, capital, derived demand, factor’s marginal product (MPP), marginal revenue product (MRP), marginal resource cost (MRC), labor market, wage determination, level of employment, perfectly competitive labor markets, unions, minimum wage, monopsonies, distribution of income, sources of inequality.

V.   Market Failures and Role of Government            (12-18%)

A.  Externalities

B.  Public goods

C.  Public Policy to promote competition

D.  Income Distribution

* Arguments for and against government intervention, economic efficiency, marginal social cost, marginal social benefit, externalities, fair return, socially optimal, public goods, market distribution of income, market failures, effectiveness of government policies such as subsidies, taxes, quantity controls, public provision of goods & services, antitrust  policy, regulations, Lorenz curve, Gini co-efficient, government tax policies, transfer programs.

**Fall 2013       AP Microeconomics Topics        Krugman for AP**

**Week 1** Economic terminology & thinking                Module 1
9/2            AP Expectations; introductions

**Week 2** Production Possibilities Curve                Modules 3, 4
9/9            Comparative Advantage

**Week 3** Supply & Demand                    Modules 5, 6, 7
9/16           Change in Qd v. change in D;  Shifts in S & D

**Week 4** Supply & Demand  cont.                    Modules 8, 9
9/23            Price floor & price ceiling

**Week 5** Elasticities                                     Modules 46, 47, 48
9/30            Income & substitution

**Week 6** Consumer & Producer surplus; deadweight loss                    Modules 49, 50, 51
10/7            Utility maximization MUx/Px = MUy/MUy

**Week 7** Production Function &                     Modules 54, 55
10/14            Firm Costs

**Week 8** Long run costs; economies of scale                Modules 56, 72
10/21            Cost Minimization of Input Combos

**Week 9** Market structure                                             Modules 57, 52, 53
10/28            Profit maximization

**Week 10** Perfect Competition                            Modules 58, 59, 60
11/4            Firm & industry in SR & LR equilibrium

**Week 11** Monopoly                                Modules 61, 62, 63
11/11            Profit-maximizing; consumer surplus; regulation

**Week 12** Oligopoly                                   Modules 64, 65, 66
11/18            Game Theory

**Week 13** Monopolistic Competition              Modules 67, 68
11/25            *Thanksgiving November 28*

**Week 14** Factor markets                        Modules 69, 70
12/2            MRC=MRP

**Week 15** Labor Market                        Modules 71, 73

12/9            Income Distribution

**Week 16**Market Failures                        Modules 74, 75

12/16                      Externalities

**Week 17**        Public goods                                    Modules 76, 77, 78
1/6            Income Inequity

**Week 18        REVIEW & FINAL EXAM           January 23 or 24, 2014**