

Microeconomics Syllabus [v. 2015]
AP Economics: Course Code: H224AP
Board Approval Date: August 27, 2018
Mr. Gillespie
Northampton Senior High School

Textbooks & Resources:

Sexton, Robert. Exploring Economics. 6th ed., New York, NY: South-Western, Cengage Learning, 2013.

[Primary Text]

McConnell, Campbell & Stanley Brue. Economics: Principles, Problems, and Policies. 16th ed., New York, NY: McGraw-Hill, 2005.

Morton, John. AP Economics: Microeconomic Student Activities. New York, NY: NCEE, 1999.

Course Objectives:

- By the end of the course students will understand the importance of making sound economic decisions and how the intricacies of making such decisions affect us at the microeconomic level.
- Students will be prepared to successfully pass the AP microeconomics examination.

Course Summary:

- This is currently a 38 week full year course designed to adequately prepare you for the AP Microeconomics examination. Consequently, the course proceeds at a fairly rapid pace and requires a great deal of effort on your part, the student. Proper preparation is essential.
- Course will include a combination of lecture, individual, and group activities.

Course Outline:

Unit 1: Introduction to Economics

Topic 1: Scarcity and Choice

Objectives: You will be able to: **[6.3.A-D]**

1. Define scarcity, choice and cost
2. Define and/or compute opportunity cost
3. List and define the principles of economic reasoning
4. Distinguish between positive and normative statements

Key Vocabulary: Students will know the following terms:

- | | |
|-------------------------|--------------------------|
| 1. Scarcity | 2. Factors of production |
| 3. Choice | 4. Utility |
| 5. Marginal Analysis | 6. Positive Statements |
| 7. Normative statements | 8. Goods vs Services |
| 9. Opportunity Cost | 10. Needs vs Wants |

Assignments & Assessment:

1. Read Chapter 1, pp.2-21
2. Do questions #1-11 pp. 24-25

Topic 2: Economic Systems

Objectives: You will be able to: **[6.1.A-B]**

1. Define the four types of economic systems
2. List and explain the four basic economic questions every society must answer
3. Explain the key characteristics of a market system

4. Explain why communism failed as an effective economic system
5. Describe the role Adam Smith and Karl Marx played in the development of modern economic systems
6. Explain how the US mixed economy answers the four basic economic questions
7. Draw and identify a circular flow chart of market and mixed economies

Key Vocabulary: know the following terms:

- | | |
|--------------------------|-------------------|
| 1. Traditional System | 2. Command System |
| 3. Market System | 4. Mixed System |
| 5. Adam Smith | 6. Karl Marx |
| 7. Circular flow chart | 8. Invisible Hand |
| 9. roundabout production | |

Assignments & Assessment:

1. Activity 5, 8, and 12 from Morton
2. Read Chapter 2 pp 34-63
3. Do #1-19 pp. 70-73
4. Quiz on topics 1 & 2

Topic 3: Production Possibilities

Objectives: You will be able to: **[6.4.A-G]**

1. Construct and interpret production possibilities graphs and schedules
2. List and define the assumptions of production possibilities schedules and graphs
3. Define how production possibilities schedules and graphs illustrate the concepts of scarcity, choice and cost
4. Define and calculate absolute and comparative advantages for production and exchange
5. Explain how nations benefit from free trade
6. Define allocative efficiency and productive efficiency
7. Define ways in which societies determine allocation, efficiency, and equity
8. Explain how and why the production possibilities frontier shifts

Key Vocabulary: know the following terms:

- | | |
|------------------------|---------------------------------------|
| 1. Economic growth | 2. production possibilities frontier |
| 3. Economic efficiency | 4. law of increasing opportunity cost |
| 5. Absolute advantage | 6. Comparative advantage |
| 7. David Ricardo | 8. Free trade |
| 9. Underutilization | |

Assignments & Assessment:

1. Read Chapter 3 pp. 73-89.
2. Do questions #1-14 pp 93-95
3. Activities 2, 3, and 9 from Morton
4. Read pp. 96-99 McConnell & Brue [Specialization & Comparative Advantage]
5. Quiz on topic 3
6. Test on Unit 1, Chapters 1-3

Unit 2: Market Theory

Topic 1: Demand

Objectives: You will be able to: **[6.2.A-L]**

1. Explain the role of price in a market economy
2. Define and illustrate demand through schedules and graphs
3. Distinguish between change(s) in demand and change(s) in quantity demanded
4. Explain the inverse relationship between price and quantity demanded
5. Identify and explain the variables which cause a change in demand
6. Illustrate and explain the changes in quantity demanded given a change in price

Key Vocabulary: know the following terms:

- | | |
|----------------------|-------------------------|
| 1. Quantity demanded | 2. inverse relationship |
| 3. Law of Demand | 4. Complement |
| 5. Substitute | 6. Ceteris paribus |
| 7. Demand | 8. PYNTE |

Assignments & Assessment:

1. Read Chapter 4 pp 98-124
2. Worksheets from Sexton
3. Activities 13-15 Morton

Topic 2: Supply

Objectives: You will be able to: **[6.2.E-F]**

1. Explain the role of price in the market economy
2. Define & illustrate supply through schedules & graphs
3. Distinguish between changes in supply and changes in quantity supplied
4. Examine the direct relationship between price and quantity supplied
5. Identify and explain the variables that explain changes in quantity supplied
6. Illustrate & explain the changes in quantity supplied given a price change

Key Vocabulary: know the following terms:

- | | |
|----------------------|------------------------|
| 1. Law of Supply | 2. Profits |
| 3. Quantity Supplied | 4. Costs of Production |
| 5. SPENT | |

Assignments & Assessment:

1. Read Chapter 4 pp 98-124
2. Worksheets from Sexton
3. Activities 16-17 Morton
4. Quiz on Demand & Supply

Topic 3: Equilibrium

Objectives: You will be able to: **[6.2.E-F]**

1. Define and illustrate equilibrium
2. Define and illustrate surpluses and shortages
3. Define the effects of surpluses and shortages on price and quantity
4. Predict and interpret changes in price and quantity based upon changes in supply & demand

Key Vocabulary: know the following terms:

1. Equilibrium point
2. Equilibrium price
3. Equilibrium quantity
4. Surpluses
5. Shortages

Assignments & Assessment:

1. Worksheets from Chapter 5 Sexton
2. Activities 18-20 Morton
3. Read Chapter 5 pp 133-151 Sexton
4. Read Chapter 3 McConnell & Brue
5. Do # 1-15 pp. 57-58 McConnell & Brue
6. Quiz on Graphing Equilibrium
7. Market in Wheat Simulation
8. Test on topics 1-3

Topic 4: Elasticity

Objectives: You will be able to: **[6.2.E-F]**

1. Explain, define, calculate, & interpret the price elasticity of demand
2. Identify & interpret the relationship between price elasticity of demand and the effect of a price change on total revenue
3. Define, calculate & interpret cross elasticities and income elasticities of demand
4. List and explain the determinants of elasticity
5. Define and compute total revenue
6. Define & differentiate between substitutes and complements
7. Calculate and explain the determinants of price elasticity of supply

Key Vocabulary: know the following terms:

1. Elasticity of Demand
2. Income elasticity
3. Elasticity of Supply
4. Cross Elasticity
5. Elastic
6. Inelastic
7. unit elastic
8. Normal goods
9. inferior goods
10. Mid-point formula

Assignments & Assessment:

1. Activities 21-24 Morton
2. Read Chapter 6 pp. 156-175 Sexton
3. #1-21 pp 182-184 Sexton
4. Elasticity Free Response Quiz

Topic 5: Market Efficiency & Welfare

Objectives: You will be able to: **[6.2.H; 6.5.C]**

1. Identify the area of the consumer and producer surplus
2. Identify areas of actual/potential market failure such as the deadweight loss
3. Analyze the impact a tax has on the deadweight loss
4. Identify the welfare effects of a tax
5. Explain the welfare effects of subsidies
6. Identify the welfare effects of price controls
7. Explain the relationship between a deadweight loss and price elasticities
8. Identify the economics functions and goals of government in the mixed economy
9. Define and explain the difference between positive and negative externalities
10. Explain how government can correct for externalities.
11. Explain the concept of Coase Theorem
12. Identify the characteristics of public vs private goods
13. Explain the concept of Assymmetric Information

Key Vocabulary: know the following terms:

- | | |
|------------------------|-----------------------------|
| 1. Price Ceiling | 2. Price Floor |
| 3. Black Market | 4. Externalities |
| 5. Public goods | 6. Private goods |
| 7. Exclusion Principle | 8. Shared Consumption |
| 9. Corporation | 10. Sole Proprietorship |
| 11. Partnership | 12. Limited Liability Corp. |
| 13. free-rider | 14. Common Stock |
| 15. Preferred stock | 16. Industry |
| 17. Plant | 18. Firm |
| 19. Consumer Surplus | 20. Producer Surplus |
| 21. Welfare Effects | 22. Deadweight loss |
| 23. Coase Theorem | 24. MSB vs MPB |
| 25. MSC vs MPC | 26. Assymmetric Information |

Assignments & Assessment:

1. Reach Chapter 7 & 8 Sexton pp 186 -237
1. Activities 25-27 Morton
2. Activities 62-65 Morton
4. Do #1-13 pp. 208-210 Sexton Ch 7
5. Do #1-12 pp236-237 Sexton Ch 8
6. Quiz on Topic 5
7. Test on Chapter 7 & 8

Topic 6: Consumer Behavior & Utility Maximization

Objectives: You will be able to: **[6.3.D-F]**

1. Define and explain the law of diminishing marginal utility
2. Explain how rational behavior helps determine utility maximization
3. Calculate total and marginal utility
4. Explain and identify the utility-maximizing rule
5. Graph and explain the concepts in a budget line and indifference curve

6. Interpret how changes in prices and income impact indifference curves and budget lines
7. Identify consumer equilibrium using an indifference map and budget line

Key Vocabulary: know the following terms:

- | | |
|--------------------------|----------------------------|
| 1. total utility | 2. marginal utility |
| 3. rational behavior | 4. utility maximizing rule |
| 5. budget constraint | 6. indifference curve |
| 7. Law of DMU | 8. Budget Line |
| 9. Consumer Optimization | |

Assignments & Assessment:

1. Read Chapter 10 pp 258-284 [including appendix]
2. do #1-14 pp 273-274 Sexton
3. Read Chapter 21 appendix and do #1-5 pp.391 McConnell & Brue
4. Free Response Quiz on maximizing consumer utility
5. Quiz on Chapter 10

Unit 3: Theory of the Firm

Topic 1: Production

Objectives: You will be able to: **[6.3.A-F; 6.2.A-B]**

1. Define & differentiate among different business/market structures
2. Define the concept of a firm
3. Define, explain, and calculate total product, marginal product, average product, total costs, total fixed costs, total variable costs, average costs, average variable costs, and average fixed costs
4. Define and differentiate between short-run and long-run
5. Define the law of diminishing returns and explain how it is depicted by the total product and marginal product curves
6. Explain the advantages and disadvantages of the 3 types of business organization
7. Explain advantages and disadvantages of Franchises

Key Vocabulary: know the following terms:

- | | |
|-------------------------------|-------------------------|
| 1. Business firm | 2. Proprietorship |
| 3. Partnership | 4. Corporations |
| 5. Law of Diminishing Returns | 6. Short-run |
| 7. Long-run | 8. Production function |
| 9. Marginal Product | 10. Variable input |
| 11. Fixed input | 12. Plant |
| 13. Firm | 14. Common vs Preferred |
| 15. LLC | 16. Franchise |

Topic 2: Short-run and Long-run Cost

Objectives: You will be able to: **[6.3.A-F]**

1. Define & differentiate between implicit and explicit costs
2. Define, calculate, interpret data from graphs
3. Understand and distinguish between short-run & long-run cost Curves

4. Calculate & define fixed, variable, average, marginal & total costs and explain how they vary with the level of output in the short-run and long-run
5. Define & explain economies and diseconomies of scale & constant returns to scale
6. Define & calculate the least cost-combination of inputs to employ for an existing firm

Key Vocabulary: know the following terms:

- | | |
|---------------------------|------------------------|
| 1. Explicit cost | 2. Implicit cost |
| 3. total cost | 4. Average total cost |
| 5. marginal cost | 6. fixed cost |
| 7. average fixed cost | 8. variable cost |
| 9. average variable cost | 10. economies of scale |
| 11. diseconomies of scale | 12. accounting profit |

Assignments: & Assessment:

1. Read Chapter 11 pp. 285-306 Sexton
2. do #1-21 pp.310-313
3. Activity 31 Morton
4. widget experiment [law of diminishing returns]
5. Chapter 11 Quiz
6. Test on Chapter 11

Topic 3: Perfect Competition

Objectives: You must be able to: **[6.5.A-H; 6.2.B]**

1. Define perfect competition and explain the conditions under which it functions
2. construct total revenue/total cost and marginal revenue/marginal cost analyses to determine output of a competitive firm
3. Define and distinguish between short-run and long-run equilibrium
4. Identify and determine the short-run supply curve for a perfect competitor
5. Construct and describe the long-run market supply curve in the case of a perfectly competitive market for a constant cost and an increasing cost market

Key Vocabulary: know the following terms:

- | | |
|---------------------------|---------------------------|
| 1. Competitive industry | 2. Price taker |
| 3. marginal revenue | 4. constant cost |
| 5. increasing cost | 6. break even point |
| 7. total revenue | 8. average revenue |
| 9. short-run supply curve | 10. industry supply curve |

Topic 4: Profit Maximization

Objectives: You will be able to: **[6.3.A-F]**

1. Define the concept of maximization of profits
2. Apply the concepts of marginal cost and marginal revenue to determine the maximization of profits
3. Understand and apply the rule $MC=MR$
4. Understand the concepts of minimization of losses

5. Calculate and graph data concerning the level of production by using profit maximizing rules
6. Define the shutdown criteria
7. Understand the break even point and apply break even analysis

Key Vocabulary: know the following terms:

- | | |
|---------------------|------------------------|
| 1. Economic profit | 2. profit-maximization |
| 3. break even point | 4. marginal cost |
| 5. marginal revenue | 6. average revenue |
| 7. total revenue | 8. MR=MC |

Assignments & Assessment:

1. Read Chapter 12 pp. 322-347 Sexton
2. Do questions #1-19 pp. 351-354
3. Activities 32-36 Morton
4. Quiz on Cost Curves and definitions
4. Graphing quiz on Perfect Competition
5. Quiz on Chapter 12

Topic 5: The Pure Monopoly

Objectives: You must be able to: **[6.5.D]**

1. Define monopoly & explain the conditions under which it functions
2. Identify & graphically construct the demand, average revenue, and marginal revenue curves for a pure monopolist
3. construct a marginal revenue/marginal cost analysis to determine output and price for firm and illustrate & explain the conditions of economic profit, normal profits, or loss
4. identify & explain the welfare loss associated with pure monopolies
5. Define, explain & illustrate conditions for price discrimination
6. Evaluate price discrimination, indicating harmful and beneficial effects
7. Compare and contrast operations of a monopoly with that of a perfect competitor

Key Vocabulary: know the following terms:

- | | |
|----------------------|-------------------------|
| 1. Barriers to entry | 2. patent |
| 3. price takers | 4. natural monopolies |
| 5. monopoly | 6. price discrimination |
| 7. welfare loss | 8. fair return |
| 9. copyright | |

Assignments & Assessment:

1. Read Chapter 13 pp. 355-385 Sexton
2. Do questions #1-18 pp. 390-393
3. Activities 37-41 Morton
4. Quiz on Pure Monopoly
5. Free Response quiz comparing contrasting Perfect Competition and a Pure monopoly

Topic 6: Monopolistic Competition & Oligopoly

Objectives: You must be able to: **[6.5.D]**

1. identify & describe the forms of imperfect competition
2. identify the characteristics of oligopoly
3. determine & explain the short-run output & price for the imperfect competitor
4. explain the concept of product differentiation
5. explain the different concepts of demand with respect to the oligopoly

Key Vocabulary: know the following terms:

- | | |
|-----------------------------|-------------------------------|
| 1. monopolistic competition | 2. non-price competition |
| 3. product differentiation | 4. cartel |
| 5. concentration ratio | 6. differentiated oligopoly |
| 7. price leadership | 8. undifferentiated oligopoly |
| 9. mutual interdependence | 10. kinked demand curve |

Assignment & Assessments:

1. Read Chapters 14 & 15 pp.394-434,
2. Do questions #1-19 pp. 411-12, #1-19 438-441
3. Activities 44-47 Morton
4. Quiz on Monopolistic Competition & Oligopolies

Topic 7: Regulations of Markets

Objectives: You must be able to: **[6.2.H]**

1. explain the reasons for government regulation
2. define & explain a natural monopoly
3. illustrate & explain market inefficiencies related to monopolies
4. define & explain different types of pricing in order to regulate monopolies
5. list and explain economic criticisms of regulatory commissions
6. define & explain the nature of anti-trust laws
7. identify and explain various illegal trade activities

Key Vocabulary: know the following terms:

- | | |
|--------------------------|-------------------------|
| 1. antitrust policy | 2. horizontal merger |
| 3. rule of reason | 4. vertical merger |
| 5. free rider | 6. externalities |
| 7. marginal cost pricing | 8. average cost pricing |

Assignment & Assessments:

1. Free Response questions on regulating Monopolies and Natural monopolies
2. FRQ on Comparing and contrasting PC with MC
3. FRQ on Game Theory
4. Test on Chapters 12-15

Unit 4: Factor Markets

Topic 1: Factor Demand

Objectives: You must be able to: **[6.5.A-H]**

1. identify resources that are used in the production process
2. explain the concept of derived demand
3. calculate & explain the quantity of labor or a resource to be hired/bought by a firm
4. construct a short-run demand schedule for a resource
5. explain the relationship between MRP & the demand for input
6. explain and apply the concept of the least-cost combination of inputs to novel data

7. explain and apply the rule for finding least-cost combination of inputs

Key Vocabulary: know the following terms:

1. complementary factors
2. derived demand
3. marginal physical product
4. marginal revenue product
5. output effect
6. substitution effect

Topic 2: The Supply of Labor and Wage Determination

Objectives: You must be able to: **[6.5.A-H]**

1. Explain how the marginal productivity theory of resource demand applies to wage rate determination.
2. Explain how the wage rate is determined
3. Calculate & determine wage rates in a competitive labor market & in a monopsonistic labor markets
4. explain the determinants of income distribution
5. explain the concept of bilateral monopoly

Key Vocabulary: know the following terms:

1. Bilateral monopoly
2. monopsony
3. wage
4. marginal factor
5. least-cost combination
6. $MRP=MP * P$
7. $MRP=MRC$
8. MRC

Topic 3: Labor Unions

Objectives: You must be able to: **[6.5.A-H]**

1. explain the purpose of labor unions and their organizations
2. explain the effects of unions & specific union tactics on wages & employment in both competitive & monopolistic markets
3. explain the concept of a bilateral monopoly & its effects on employment & wages
4. evaluate the efficiency of specific legislation aimed at increasing wage rates and employment

Key Vocabulary: know the following terms:

1. arbitration
2. blacklist
3. business unionism
4. closed shop
5. collective bargaining
6. featherbedding
7. industrial union
8. labor contract
9. lockout
10. mediation
11. money wage
12. real wage
13. right to work laws
14. secondary boycott
15. strike
16. scabs
17. union
18. union shop
19. yellow dog contract
20. craft union

Assignments & Assessment:

1. Read Chapter 16 pp. 444-465 Sexton
2. Do questions #1-19 pp. 469-472
3. Activities 51-57 Morton

Topic4: Income, Poverty & Rent

Objectives: You must be able to: **[6.2.L; 6.5.H]**

1. Explain the changes in Income distribution since 1935
2. Compare and contrast income inequality among various nations
3. Explain the concept of the Lorenz Curve
4. Calculate the Gini Coefficient
5. Analyze factors influencing social mobility
6. Analyze the types of economic discrimination and how government responds to such discrimination
7. Explain how we define poverty
8. Analyze the health care market focusing on the causes of rising costs
9. Explain the term economic rent

Key Vocabulary: know the following terms:

- | | |
|------------------------|--|
| 1. economic rent | 2. Lorenz Curve |
| 3. Gini Coefficient | 4. Social mobility |
| 5. transfer Payments | 6. SNAP |
| 7. Affordable Care Act | 8. Imperfect competition
in health care |
| 9. economic rent | |

Assignments & Assessment:

1. Read Chapter 17 pp 473-505 Sexton
2. Activities 58-59 Morton
3. Do # 1-18 p511
4. Read and discuss articles critical of current health care system
5. Videos on Income Inequality [Ted Talks]

Unit 5: Microeconomic Review

Topic 1: Test Preparation

Objective: You must be able to

1. Successfully and confidently take the AP Exam by earning a score of 4 or better

Assignments & Assessment:

1. Microeconomics Final Exam