

AP Microeconomics and Macroeconomics Course Syllabus

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Course Objective:

The objective of this course is to increase students' understanding and appreciation of Economics and the application of it to their lives while helping each student succeed on the AP exams. The course is yearlong and divided into two semesters: Microeconomics (Semester 1) and Macroeconomics (Semester 2). Semester 1 is required before taking Semester 2 as key course information will be explored in Semester 1 that will be relevant to comprehending Semester 2 and will not be taught in its entirety again.

As a result of participating in this course, students will have an opportunity to strengthen the following skills:

- Analyze, synthesize and evaluate both primary and secondary texts
- Comprehend and contextualize extensive amounts of information
- Apply various concepts and theories with attention to relevant details
- Apply inductive and deductive reasoning
- Interpret and apply historical data from a variety of sources beyond the primary text including graphs, maps, political cartoons, etc. in order to support a hypothesis, argument or position
- Communicate effectively in written and oral formats

Course Description:

The purpose of the AP course in microeconomics is to give students a thorough understanding of the principles of economics that apply to the functions of individual decision makers, both consumers and producers, within the economic system. It places primary emphasis on the nature and functions of product markets and includes the study of factor markets and of the role of government in promoting greater efficiency and equity in the economy. (AP Course Description Manual 2012)

The purpose of the AP course in macroeconomics is to give students a thorough understanding of the principles of economics that apply to an economic system as a whole. The course places particular emphasis on the study of national income and price-level determination, and also develops students' familiarity with economic performance measures, the financial sector, stabilization policies, economic growth, and international economics. (AP Course Description Manual 2012)

Course Format:

AP Economics is a year-long course that meets five days per week. Each class is limited to 50 minute sessions. Students will be required to read extensively and complete assignments outside of the traditional classroom format in order to effectively engage and participate in discussions, lectures and activities. Students are expected to be prepared and play an active role in the classroom. Winter and Spring Break readings and related exercises may be required. Moreover, students will be required to acquire, maintain and/or strengthen critical thinking and analysis skills in order to effectively participate in FRQ activities.

Testing:

Students will be administered exams that directly reflect the learning targets associated with this course including information included in the primary textbook, supplementary resources, lectures and discussions, and other related assignments. The format of the exams will be consistent with the design of AP assessments including multiple-choice and FRQ questions. Students will be asked to graph multiple FRQs and support them with the proper analysis. A final test will also be administered during the fourth quarter after the AP Microeconomics and AP Macroeconomics test to fulfill the consumer education requirement for this course.

Required Materials:

- Class binder: You will need a binder with a spiral notebook and loose paper for your notes and class handouts
- A blue or black pen AND a pencil.
- Graph paper
- Suggested (not required): colored pens or pencils and a ruler for graphing (2 or 3 colors of your choice)

Coursework

Summative 80%:	Formative 20%:
Summer Work	Participation
Quizzes	Problem Sets/Class Work /Homework
Unit Exams	Notebook
Projects, Presentations & Reports	Simulations/Projects & Reports
Final Exam/AP Exam	

GRADING POLICY

AP Course Specific Policies:

- Late work: Assignments are due at the beginning of class on the announced due date or before. Students will lose 20% each day the assignment is not turned in and no work will be graded after the third day.
- Final Exam: If you take the AP Microeconomics exam in the fall you will NOT be required to take a cumulative final exam. If you do not take the AP Microeconomics exam in the spring you will be required to take the cumulative economics exam provided by the school district.

Other School Grading Policies:

Grade scale: 100-94 A	90-93 A-	89-87 B+	86-83 B	82-80 B-
79-77 C+	76-73 C	72-70 C-	69-67 D+	66-63 D
62-60 D-	59 and below E			

Makeup work due to absence: The student is responsible for obtaining and completing missed work within the time specified by the teacher. Students should plan to take any missed exam before or after school - make-up exams will not be given during the class period.

Texts and Resources:

- Ray, Margaret, and David Anderson. *Krugman's Economics for AP 2ed*. New York: BFW/Worth Publishers, 2015.

Online Resources:

- St. Louis Federal Reserve Bank Resources
<http://research.stlouisfed.org/fred2/>
- AC/DC Leadership - [Mr. Clifford YouTube Channel](#)
- [Econ Stories YouTube Channel](#)

Class Activities/Work:

- Fox, Melanie, and Margaret Ray. *Strive for a 5: Preparing for the AP Microeconomics Exam*. New York: BFW/Worth Publishers, 2015.
- Fox, Melanie, and Margaret Ray. *Strive for a 5: Preparing for the AP Macroeconomics Exam*. New York: BFW/Worth Publishers, 2015.

First Semester of a full year course outline

<u>Time per Unit</u>	<u>Topic</u>	<u>Text Page Numbers</u>
Unit 1 (~2 weeks)	I. Basic Economic Concepts <u>Section 1: Basic Economic Concepts</u> Module 1: The Study of Economics Module 3: The Production Possibilities Curve Model Module 4: Comparative Advantage and Trade	2-9 16-23 24-35
Unit 2 (~5 weeks)	II. The Nature and Function of Product Markets <u>Section 2: Supply and Demand</u> Module 5: Introduction to Demand Module 6: Supply Module 7: Equilibrium Module 8: Price Controls (Ceilings & Floors) Module 9: Quantity Controls	48-59 60-68 69-79 80-91 92-98
	<u>Section 9: Behind the Demand Curve: Consumer Choice</u> Module 46: Income Effects, Substitution Effects, and Elasticity Module 47: Interpreting Price Elasticity of Demand Module 48: Other Important Elasticities Module 49: Consumer and Producer Surplus Module 50: Efficiency and Deadweight Loss Module 51: Utility Maximization	458-466 467-476 477-484 485-497 498-513 514-525
	<u>Section 10: Behind the Supply Curve: Profit, Production and Costs</u> Module 54: The Production Function Module 55: Firm Costs Module 56: Long-Run Costs and Economies of Scale Module 72: The Cost-Minimizing Input Combination Module 57: Introduction to Market Structure Module 52: Defining Profit Module 53: Profit Maximization	545-551 552-563 564-571 715-719 572-582 533-538 539-544
		539-544
Unit 3 (~6 weeks)	III: Business, Labor and Theory of the Firm <u>Section 11: Market Structures: Perfect Competition and Monopoly</u> Module 58: Introduction to Perfect Competition Module 59: Graphing Perfect Competition Module 60: Long-Run Outcomes in Perfect Competition Module 61: Introduction to Monopoly Module 62: Monopoly and Public Policy Module 63: Price Discrimination	588-593 594-602 603-613 614-622 623-629 630-636

Section 12: Market Structures: Imperfect Competition

Module 64: Introduction to Oligopoly	642-647
Module 65: Game Theory	648-657
Module 66: Oligopoly in Practice	658-666
Module 67: Introduction to Monopolistic Competition	667-675
Module 68: Product Differentiation and Advertising	676-681

Unit 4
(~3 weeks)

IV. Factor Markets

Section 13: Factor Markets

Module 69: Introduction and Factor Demand	688-698
Module 70: The Markets for Land and Capital	699-704
Module 71: The Market for Labor	705-714
Module 73: Theories of Income Distribution	720-727

Unit 5
(~2 Weeks)

V. Market Failure and the Role of Government

Section 14: Market Failure and the Role of Government

Module 74: Introduction to Externalities	732-739
Module 75: Externalities and Public Policy	740-751
Module 76: Public Goods	752-762
Module 77: Public Policy to Promote Competition	763-769
Module 78: Income Inequality and Income Distribution	770-783

There will be 9 Tests during this course (8 Section Exams and a Graphing Exam), as well as various quizzes as necessary. • **It is expected that all students will take the AP Microeconomics exam scheduled in May.** There will be review sessions leading up to the AP Microeconomics exam. Review will include test taking strategy and practice tests as well as content review.

Second Semester of a full year course outline

<u>Time per Unit</u>	<u>Topic</u>	<u>Page Numbers</u>
Unit 6 (~5 weeks)	VI. Measurement of Economic Performance	
	<u>Section 3: Measurement of Economic Performance</u>	
	Module 2: Introduction to Macroeconomics	10-15
	Module 10: The Circular Flow and GDP	105-114
	Module 11: Interpreting RGDP	115-120
	Module 12: The Meaning and Calculation of Unemployment	121-128
	Module 13: The Causes and Categories of Unemployment	129-137
	Module 14: Inflation: An Overview	138-145
	Module 15: The Measurement and Calculation of Inflation	146-152
	VI. Inflation, Unemployment and Stabilization Policies	
	<u>Section 6: Inflation, Unemployment, and Stabilization Policies</u>	
	Module 30: Long Run Implications of Fiscal Policy: Deficits and the Public Debt	293-303
	Module 31: Monetary Policy and the interest Rate	304-311
	Module 32: Money, Output and Prices in the Long Run	312-317
	Module 33: Types of Inflation, Disinflation and Deflation	318-327
	Module 34: Inflation and Unemployment: The Phillips Curve	328-340
	Module 35: History and Alternative Views of Macroeconomics	341-352
	Module 36: Consensus and Conflict in Modern Macroeconomics	353-358
	VI. Economic Growth and Productivity	
	<u>Section 7: Economic Growth and Productivity</u>	
	Module 37: Long Run Economic Growth	365-372
	Module 38: Productivity and Growth	373-383
	Module 39: Growth Policy: Why Economic Growth Rates Differ	384-394
	Module 40: Economic Growth in Macroeconomic Models	395-401
Unit 7 (~4 weeks)	VII. Financial Sector	
	<u>Section 5: The Financial Sector</u>	
	Module 22: Saving, Investment and the Financial System	223-231
	Module 23: The Definition and Measurement of Money	232-237
	Module 24: The Time Value of Money	238-243
	Module 25: Banking and Money Creation	244-253
	Module 26: The Fed. History and Structure	254-260
	Module 27: The Fed. Monetary Policy	261-266
	Module 28: The Money Market	267-275
	Module 29: The Market for Loanable Funds	276-286
Unit 8 (~5 weeks)	VIII. National Income and Price Determination	
	<u>Section 4: National Income and Price Determination</u>	
	Module 16: Income and Expenditures	159-171
	Module 17: AD: Introduction and Determinants	172-179
	Module 18: AS: Introduction and Determinants	180-191
	Module 19: Equilibrium in the AD/AS Model	192-200
	Module 20: Economic Policy and the AD/AS Model	201-210
	Module 21: Fiscal Policy and the Multiplier	211-217

Unit 9
(~3 Weeks)

IX. Open Economy: International Trade and Finance/Review for AP Test

Section 8: The Open Economy: International Trade and Finance

Module 4: Comparative Advantage and Trade	24-31
Module 41: Capital Flows and the Balance of Payments	405-416
Module 42: The Foreign Exchange Market	417-426
Module 43: Exchange Rates and Macroeconomic Policy	427-436
Module 44: Barriers to Trade	437-443
Module 45: Putting it All Together	444-453

There will be 9 Tests during this course (8 Section Exams and a Graphing Exam), as well as various quizzes as necessary.

It is expected that all students will take the AP Macroeconomics exam scheduled in May. There will be review sessions leading up to the AP Macroeconomics exam. Review will include test taking strategy and practice tests as well as content review.

FINAL EXAM – will be constructed from released exams

AP MICROECONOMICS & MACROECONOMICS EXAM

The AP Microeconomics and Macroeconomics Exams are each a little over 2 hours long. Each exam consists of a 70-minute multiple-choice section and a 60-minute free-response section. The multiple-choice section accounts for two-thirds of the student's exam score and includes 60 questions. The free-response section includes 3 questions and accounts for one-third of the exam score. Some questions in the free-response section require graphical analysis. The free-response section begins with a mandatory 10-minute reading period. During this period, students are advised to read each of the questions, sketch graphs, make notes, and plan their answers. Students then have 50 minutes to write their answers.

Microeconomic Outline (1st semester)

Unit I: Basic Economic Concepts - 2 Weeks

(Modules 1, 3 & 4)

- A. Founding Principles
 - Scarcity, the economizing problem
 - Tradeoffs and Opportunity Cost
 - Free-market system (Adam Smith's invisible hand)
- B. Types of Economics
 - Microeconomics vs. macroeconomics
 - Positive economics vs. normative economics
- C. Production Possibilities Graph
 - Straight vs. bowed PPF
 - Underutilization, full employment, and unattainable
 - Law of increasing opportunity cost
 - 3 shifters of the PPF
 - Consumer goods vs. capital goods
- D. Circular Flow Model
 - Product market, Factor market, and Public sector
- E. Specialization and Trade
 - Absolute advantage
 - Comparative advantage

Unit 2: Supply, Demand, And Consumer Choice –5 Weeks

(Modules 5-9, 46-51)

- A. Demand (graph)
 - Law of demand
 - Market demand curve
 - Determinants of demand
 - Normal vs. inferior goods
 - Substitutes and complements
- B. Supply (graph)
 - Law of supply
 - Market supply curve
 - Determinants of supply
- C. Equilibrium and Efficiency (graph)
 - Equilibrium price and quantity
 - Disequilibrium: surplus and shortages (graphing)
- D. Government Policies (graphs)
 - Price floors and Price ceilings
 - Excise taxes, Subsidies, Tariffs, Quotas
- E. Elasticity

- Price, Income, and Cross Price elasticity of demand
 - The total revenue test (graph)
- F. Consumer Choice
- Law of diminishing marginal utility, Substitution effect, Income effect
 - Marginal benefit/cost
 - Utility maximizing rule

Unit 3. Costs of Production and Profit - 6 weeks

(Modules 52-57 &72.)

- A. Economists vs. Accountants
- Total revenue
 - Explicit and Implicit costs
 - Economic costs and profits
- B. Costs of Production (graph)
- Fixed Costs, Variable costs, and Total costs
 - Per-unit costs (AVC, AFC, ATC)
 - Shifts in MC, ATC, AVC, and AFC
 - Marginal costs and Marginal revenue
 - Sunk costs
- C. Law of Diminishing Marginal Returns (graph)
- Stage I: increasing returns
 - Stage II: decreasing returns
 - Stage III: negative returns
- D. Long-run Production Costs (graph)
- Economies of scale, Constant Returns to scale, Diseconomies of scale
- E. Characteristics of Perfect Competition
- Price takers
 - Demand = MR= Price
 - Graph: Firm vs. industry (market)
 - Short-run (profit or loss)
 - Long-run equilibrium (New firm enter and exit)
 - Normal profit
 - Shutdown decision ($P < AVC$)
 - Productive efficiency ($P = \text{Min ATC}$)
 - Allocative efficiency ($P = MC$)

Unit 3: Market Structures: Perfect & Imperfect Competition-3 Weeks

(Modules 58-68)

- A. Characteristics of Monopolies
- Barriers to entry
 - MR below demand (graphs)
 - Profit-maximizing price and quantity
 - Natural monopoly
- B. Effects on overall economy
- Compared to competitive industry
 - Dead-weight loss
 - X-efficiency

- C. Price discrimination (graph)
 - Purpose and results
 - Graph ($MR=D$)
- D. Regulation
 - Unregulated price, Fair return price, and Socially optimal price
 - Taxes and subsidies
- E. Characteristics of Monopolistic Competition
 - Long-run equilibrium (graph)
 - Excess capacity
 - Non-price competition
 - Product differentiation
- F. Characteristics of Oligopolies
 - Kinked demand curve-competitive pricing
 - Game theory (chart) price leadership
 - Collusion and cartels

Unit 4. Factor Markets-3 Weeks

(Modules 69-73)

- A. Demand for labor
 - Derived demand
 - Marginal revenue product
 - Marginal resource cost
- B. Perfectly competitive labor market (graph)
 - Wage makers
 - Perfectly elastic supply of labor
- C. Monopsony (graph)
 - Wages and quantity compared to perfectly competitive labor market
- D. Labor Unions
 - Goals and methods
- E. Effects of Minimum Wage
- F. Wage differentials
 - Investment in human capital vs. physical capital

Unit 5. Market Failures and Government Involvement-2 Weeks

(Modules 74-78)

- A. Public goods
 - Demand for public goods
 - Supply of public goods
 - Free-rider problem
 - Non-excludability and Non-rivalry
- B. Positive externalities/spillover benefits (graph)
 - Marginal social benefits vs. private benefits
 - Underallocation
 - Government remedy
- C. Negative externalities/spillover costs (graph)
 - Marginal social cost vs. private cost
 - Overallocation
 - Government remedy

D. Income distribution

- Lorenz curve (graph)
- Tax incidences
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Macroeconomics Outline (2nd Semester)

Unit I: Basic Economic Concepts- 1 Week (review 1st Semester)

(Modules 1-7)

Overview: In this first unit, we will be introduced to the fundamental economic concepts such as scarcity and opportunity costs. We will study comparative advantage to determine the basis on which mutually advantageous trade can take place between countries. Other basic concepts that are explored include the functions performed by an economic system and the way the tools of supply and demand can be used to analyze a market economy.

- A. Scarcity: the nature of economic systems
- B. Opportunity costs and tradeoffs
- C. Production possibilities graph
- D. Absolute advantage, Comparative advantage, and Specialization
- E. The functions of any economic system (what, how, and for whom to produce?)
- F. Demand, supply, and price determination

Unit II: Measurement of Economic Performance-2 Weeks

(Modules 10-15)

Overview: Since the performance of the economy as a whole is usually measured by trends in gross national product, gross domestic product, inflation, and unemployment we will learn about how these are measured and used. This unit covers the components of gross income measures and the costs of inflation and unemployment. It will make clear the distinction between nominal and real values, and give us some exposure to the use of price indices to convert nominal magnitudes into real magnitudes. We will look at the actual levels of U.S. inflation, unemployment, gross national product, and gross domestic product, as well as the ways that changes in one may affect the others.

- A. Gross domestic product and national income concepts.
 - Components of GDP
 - Calculating GDP using the Expenditure and Income Approach
 - Real vs. Nominal GDP
 - Per Capita GDP
 - Shortcomings of GDP
- B. Unemployment and the Business cycle
 - Four phases of the business cycle
 - Measuring Unemployment
 - Types of Unemployment
 - Natural rate of Unemployment, actual rate of unemployment
- C. Inflation and price indices.
 - Calculating Consumer Price Index (CPI)
 - Types of Inflation
 - Consequences of inflation
 - Real vs. nominal income/ interest rates

Unit 6. Stabilization Policies and Debates –2 Weeks

(Modules 30-36) -

Overview: John Maynard Keynes once remarked, “In the long run we are all dead.” In this next unit we will apply some of the macroeconomic tools that have been learned to help produce some insights relating to aggregate supply and economic growth over time. We will look at the debates over the causes of macro instability and the stabilization policies

- A. Trade-offs between inflation and unemployment
 - Unemployment-inflation relationship and the Phillips Curve
 - The long-run Phillips Curve (graph)
- B. Economic growth
 - Production possibilities analysis of growth (graph)
 - U.S. Economic growth rates
 - Accounting for growth
- C. Disputes over macro theory and policy
 - Classical view vs. Keynesian view
 - New classical view of self-correction

Unit 7. Financial Sector – 4 Weeks

(Modules 22-29)

Overview: As gas is to the automobile so is money to the economy. In this unit we will learn how money is “created” and the functions that it performs. We will look at the role that the central bank plays in controlling the money supply to achieve certain economic goals.

- A. Money and banking
 - Definition of money and its functions
 - Measurements of the money supply
 - Banks and the creation of money
 - Money market
- B. Role of the central bank and the money supply
 - Tools of the central bank
 - Expansionary vs. contractionary monetary policy
 - Real vs. nominal interest rates
- C. Fiscal policy
 - Expansionary vs. Contractionary fiscal policy
 - Demand-side vs. supply side economics
 - Budget deficits/surpluses
 - Automatic stabilizers and crowding out
- D. Fiscal and monetary mix
 - Interaction of fiscal and monetary policies
 - Monetarist-Keynesian controversy

Unit 8. National Income and Price Determination –5 Weeks

(Modules 16-21.)

Overview: In this next unit We will learn about national income and aggregate price levels. This is done through a general discussion of the nature and shape of the aggregate demand and supply curves. You will look at the differences between the Keynesian and classical views of the shape of the aggregate supply curve and the importance of the shape in determining the effect of changes in aggregate demand on the economy.

- A. Aggregate Demand Graph
 - Circular flow model
 - Determinates of aggregate demand
 - Multiplier
- B. Aggregate Supply Graph
 - Determinants of aggregate supply
 - Short-run vs. Long-run analysis (AD/AS model)
 - Classical analysis
 - Keynesian analysis
- C. Macroeconomic equilibrium
 - Real output and price level (graph)
 - Short run vs. long run output
 - Actual vs. full employment output
 - Income-Consumption and Income-Savings Model
 - Average Propensity to Consume/Save
 - Marginal Propensity to Consume/Save
 - Real interest rate-investment relationship
 - Investment Demand Curve (graph)

Unit 9. International Trade and Finance – 3 Weeks

(Modules 4 and 41-45)

Overview: The formulation of macroeconomic policy has important ramifications for international economics, domestic growth, and gross domestic product. In this Unit we will learn that the combination of monetary and fiscal policies used in addressing problems of inflation and unemployment has an effect on domestic growth and on international factors such as exchange rates and the balance of payments. We will also learn the reverse: that international forces, often beyond a country's control, affect a country's exchange rates, which in turn affect a country's interest rates, inflation, unemployment, and level of output.

- A. Comparative advantage revisited as to why nations trade
 - Supply and Demand analysis of Exports and Imports
 - Trade Barriers: Tariffs, Quotas, & Embargoes
 - Protectionism vs. free trade arguments
- B. International finance
 - Balance of payments, Current account, Capital Account
 - Flexible vs. fixed exchange rates
 - Currency appreciation/depreciation
 - U.S. trade deficit