

Course Title:	AP Microeconomics
Department:	Social Science
Course #:	1712
Grade Level/s:	12
Length of Course:	One Year
Prerequisite/s:	Completion of Algebra 2 with a grade B or better
UC/CSU (A-G) Req:	(A) History/social science

Brief Course Description: In Microeconomics, the principles of economics that apply to the functions of individual decision makers, both consumers and producers, within the economics system will be covered. In addition, this course will provide an overview of Macroeconomics and compare theories of microeconomics. Extensive use of models (or real-world situations), manipulatives, graphs and diagrams will help students view how economics is a set of related topics as opposed to a set of discrete topics. In addition, students will solve problems graphically, numerically, and verbally to make connections between these representations. Students routinely use the standards for economic practice to make sense of problems, justify solutions and conclusions, model with economics, and strategically use technology to analyze and solve real-world problems for both business and government.

Students attempting to receive college credit for Advanced Placement courses are required to pass a College Board exam which validates coursework. This exam is not a requirement for Murrieta Valley Unified School District credit, grade increase or extra credit.

Student fees are allowable for Advanced Placement, so long as: (1) taking the exam is not a course requirement; (2) the exam results have no impact on a pupil's grade or credit in a course; and (3) eligible economically disadvantaged high school pupils who receive school district funding towards the exam fee shall pay the required AP or IB reduced fee.

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I. GOALS

The student will:

- A. Define Basic Economic Concepts
- B. Explain the Nature and Functions of Product Markets using the concepts of supply and demand
- C. Discuss the theory of consumer choice
- D. Examine production, costs and how they affect a market/s
- E. Interpret firm behaviors and their market structures
- F. Make comparisons between Macroeconomics and Microeconomics
- G. Define Gross Domestic Product (GDP) and its components
- H. Review the banking system
- I. Differentiate between imports/exports
- J. Define factor markets
- K. Explain the derived factor demand
- L. Be able to find the marginal revenue product
- M. Discuss hiring decisions in the markets for labor and capital
- N. Show graphically market distribution of income
- O. Explain market failures and the role of government
- P. Define externalities both positive and negative
- Q. Define and name public goods
- R. Explain public policy to promote competition
- S. Discuss possible plans for income distribution

II. OUTLINE OF CONTENT FOR MAJOR AREAS OF STUDY

Semester 1

- A. Basic Economic Concepts
 - 1. Scarcity, choice and opportunity cost
 - 2. Production Possibilities Curve
 - 3. Comparative advantage, specialization, and trade

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4. Economic Systems: free market and command economies
 5. Circular Flow Model
 6. Property rights and the role of incentives
 7. Marginal analysis
- B. Comparison of Macroeconomics with Microeconomics
1. GDP
 2. Fractional reserve banking
 3. Imports and exports and the foreign exchange market
- C. The Nature and Functions of Product Markets
1. Supply and demand
 - a. Market equilibrium
 - b. Determinants of supply and demand
 - c. Price and quantity controls
 - d. Elasticity
 - i. Price, income, and cross-price elasticities of demand
 - ii. Price elasticity of supply
 - iii. Total revenue test
 - e. Consumer surplus, producer surplus and market efficiency
 - f. Tax incidence and deadweight loss
 2. Theory of consumer choice
 - a. Total utility and marginal utility
 - b. Utility maximization: equalizing marginal utility per dollar
 - c. Individual and market demand curves
 - d. Income and substitution effects
- D. Costs of Production and Perfect Competition (15-25%)
1. Production and costs
 - a. Production functions: short and long run
 - b. Marginal product and diminishing returns
 - c. Short-run costs
 - d. Long-run costs and economies of scale
 - e. Cost minimizing input combination
 2. Firm Behavior and Market Structure
 - a. Profit
 - i. Accounting versus economic profits
 - ii. Normal profit or zero economic profit
 - iii. Profit maximization: $MR=MC$ rule
 - b. Perfect competition
 - i. Profit maximization
 - ii. Short-run supply and shutdown decision
 - iii. Firm and market behaviors in short-run and long-run equilibrium
 - iv. Efficiency and perfect competition

Semester 2

- A. Imperfect Competition
1. Monopoly
 - a. Sources of market power

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- b. Profit maximization
- c. Inefficiency of monopoly
- d. Price discrimination
- 2. Oligopoly
 - a. Interdependence, collusion and cartels
 - b. Game theory and strategic behavior
- 3. Monopolistic competition
 - a. Product differentiation and role of advertising
 - b. Profit maximization
 - b. Short-run and long-run equilibrium
 - c. Excess capacity and inefficiency
- B. Factor Markets
 - 1. Derived factor demand
 - 2. Marginal revenue product
 - 3. Labor market and firms' hiring of labor
 - 4. Market distribution of income
- C. Market Failure and the Role of Government (12-18%)
 - 1. Externalities
 - a. Marginal social benefit and marginal social cost
 - b. Positive externalities
 - c. Negative externalities
 - d. Remedies
 - 2. Public goods
 - a. Public versus private goods
 - b. Provision of public goods
 - 3. Public policy to promote competition
 - a. Antitrust policy
 - b. Regulation
 - 4. Income distribution
 - a. Equity
 - b. Sources of income inequality
 - c. Lorenz Curve

III. ACCOUNTABILITY DETERMINANTS

- A. Key Assignments
 - 1. Create a production possibility curve. Make a curve with two determinants that have the key assumptions that are given to a PPC. Highlight the difference between a bowed curve and a straight curve. How the curves are related to the concepts and ideas of the graphical interpretation of the curve with constant costs and the rules of rising opportunity costs based on its uses of related or unrelated natural resources.
 - 2. Create key graphs page that highlight various graphs such as: a monopoly graph, the marginal costs and revenues graph. Graphs will be drawn using the proper labeling and scales necessary as determined by common practices and the format as adapted by the College Board Advanced Placement Committee.

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3. Draw diagrams displaying the differences between monopolies, oligopolies and monopolistic competition. The graphs are to explain how these differences have varying outcomes and the results that come from the firms positions in various market structures.

B. Assessment Methods

1. In-class lecture notes
2. Homework
3. Graph, chart and diagram analysis questions
4. Simulation activities
5. Quizzes
6. Exams

IV. INSTRUCTIONAL MATERIALS AND METHODOLOGIES

A. Required Textbook(s)

1. Economics: Principles, Problems & the Policies, 19th Edition, McConnell/Brue, McGraw Hill

B. Supplementary Materials:

1. *5 Steps to a 5 on AP Microeconomics/Macroeconomics*, 2012-2013 Edition (5 Steps to a 5 on the Advanced Placement Examinations Series) Dodge, Eric R., McGraw Hill

C. Instructional Methodologies

1. Guided Inquiry
2. Direct Instruction
3. Cooperative Learning
4. Discourse
5. Problem-Based Learning
6. Visual Representations and Concrete Models