

AP Microeconomics Course Outline

Unit 1: Basic Economic Concepts

Key Concepts: Scarcity, Choice, Opportunity Cost, Tradeoffs, Role of Assumptions, Marginal Decision Making (Marginal Benefit/Marginal Cost) Absolute Advantage, Comparative Advantage, Circular Flow, Production possibilities Frontier, Specialization and Trade, Positive vs. Normative Analysis, Diminishing Marginal Utility (brief introduction)

Reading: Mankiw's Principle of Economics, Chapters 1, 2 & 3

Unit 2: Supply and Demand

Key Concepts: Competitive Markets, Demand, Law of Demand, Quantity Demanded, Supply, Law of Supply, Quantity Supplied, Equilibrium, Shortage, Surplus, Price Controls, Price Floor, Price Ceiling, Consumer Choice, Price Elasticity of Demand and Supply

Reading: Mankiw's Principle of Economics, Chapters 4, 5, & 6

Rose & Milton Friedman, Free to Choose (Chapter 1)

Unit 3: Market Efficiency and Costs

Key Concepts: Consumer and Producer Surplus, Market Efficiency, Market Failure, Total Revenue, Total Cost, Profit, The Production Function, Diminishing Marginal Product, Fixed and Variable and Average Cost Curves, Short vs. Long Run Costs, Economies and Diseconomies of Scale, Utility, Diminishing Marginal Utility, Utility Maximization

Reading: Mankiw's Principles of Economics, Chapters 7, 13 and supplemental readings

Rose & Milton Friedman, Free To Choose (Chapter 2)

Unit 4: Perfect Competition, Monopolies and Imperfect Markets

Key Concepts: Characteristics (Competitive vs. Monopolistic), Relationship between industries and firms, Profit Maximization Rule, Relationship between Price and Marginal Revenue, Average Revenue, Short-run vs. Long-run Equilibriums, Sunk Costs, Price Discrimination, Oligopoly, Duopoly, Prisoner's Dilemma, Anti-trust actions

Reading: Mankiw's Principles of Economics, Chapters 14, 15, 16, 17

Rose & Milton Friedman, Free to Choose (Chapter 4)

Unit 5: Factor Markets, Distributional Issues, The Role of Government

Key Concepts: Budget Constraints, Indifference Curves, Derived Demand, Labor Supply, Labor Demand, Monopsony, Unions, Wage Determination, Poverty Line, Liberalism, Libertarianism, Public vs. Private Goods, Role of Government, Positive and negative Externalities, Marginal Social Cost and Benefit, Free Rider Problem, Taxes: Equity vs. Efficiency

Reading: Mankiw's Principles of Economics, Chapter 18, 20 and 21 and supplemental resources

Rose & Milton Friedman, Free to Choose (Chapter 6)