

ADVANCED PLACEMENT ECONOMICS

Microeconomics and Macroeconomics

2008-2009

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ADVANCED PLACEMENT ECONOMICS SYLLABUS
(AP Microeconomics & AP Macroeconomics)

This course is designed as a one-year course in which Microeconomics is taught the first semester and Macroeconomics is taught the second semester. Students are prepared to take both the AP Microeconomics and AP Macroeconomics Exams at the end of the year.

Textbook:

McConnell, Campbell and Stanley Brue, *Economics*, 16th ed., New York, McGraw-Hill, 2005.

Supplementary Materials:

Ehrenreich, Barbara. *Nickel and Dimed: On (Not) Getting by in America*. New York: Metropolitan Books, 2001.

Eric Dodge. *5 Steps to a 5*. McGraw-Hill.

Friedman, Thomas L. *The World is Flat*. New York: Farrar, Straus and Giroux, 2006.

Morton, John S. and Rae Jean B. Goodman. *Advanced Placement Economics Teacher Resource Manual*, 3rd. NCEE.

Morton, John s. and Rae Jean B. Goodman. *Advanced Placements Economics Microeconomic: Student Activities*, 3rd. NCEE.

Perkins, John. *Confessions of an Economic Hit Man*. New York: Plume, 2004.

Walstad, William B. and Robert C. Bingham. *Study Guide to Accompany McConnell And Brue ECONOMICS*, 6th. Boston: McGraw-Hill Irwin.

Newspapers, magazines, & the internet

****Students are expected to read the following book over the summer:**

Wheelan, Charles. *Naked Economics: Undressing the Dismal Science*. New York: W.W..Norton & Company, Inc. 2002.

MICROECONOMICS (Semester One)

Student will gain thorough understanding of the economic principles related to the decisions of the individuals both consumers and producers within the larger economic system. Primary emphasis is placed on basic economic concepts including the product and factor markets, efficiency, equity, and the role of the government.

UNIT 1—AN INTRODUCTION TO ECONOMICS (2 WEEKS) [8-12%]

Chapter 1 The Nature and Method of Economics

- Scarcity and Choice
- Marginal Analysis
- Economic Goals

Chapter 1 Appendix

- Graphs and Their Meaning

Chapter 2 The Economizing Problem

- Factors of Production
- Production Possibilities
- Opportunity Cost/Benefit
- Economic Systems
- Circular Flow

Chapter 37 International Trade

- Comparative Advantage
- Terms of Trade
- Protectionism

Key Concepts: Introduction to the language of economics, micro vs. macro, positive vs. normative economics, economic decision making, scarcity, opportunity costs, allocation, production possibilities, absolute advantage, comparative advantage, specialization, terms of trade, economic systems, economic questions, property rights and the role of incentives, marginal analysis, circular flow model.

Graphs: Production possibilities curve (frontier)
 Circular flow of economic activity
 Constructing graphs
 Variable and slopes
 Equation of linear relationship
 Slope of a nonlinear curve

Activities/Videos:

Brue Study Guide: Read & Complete questions for Chapters 1, Appendix, 2 & 37.

Brue Textbook: Read Chapters 1, Appendix, 2 & 37; define Terms & Concepts and complete Study Questions for each chapter and appendix

NCEE Student Activities Micro Workbook Unit 1: Activities 1-8

NCEE Teacher Resource Manual: Micro Unit 1: Lessons 1-4

Economics USA Video: Resources and Scarcity: What is Economics All About?

Assessment:

- Quiz after each chapter
- Unit 1 Tests

UNIT 2—NATURE AND FUNCTION OF PRODUCT MARKETS (4 weeks)[15-20%]

Chapter 3 Individual Markets: Demand and Supply

- Laws of Supply/Demand
- Changes in Demand/Supply
- Changes in Quantity Demanded/Quantity Supplied
- Equilibrium, Shortage, Surplus
- Price Floors and Ceilings

Chapter 20 Elasticity of Demand and Supply

- Elasticity of Demand and Supply
 - Determinants
 - Short Run vs. Long Run

Chapter 21 Consumer Behavior and Utility Maximization

- Income and Substitution Effect
- Marginal Utility

Chapter 21 Indifference Curve Analysis

Key Concepts: Demand schedule, law of demand and supply, diminishing marginal utility, determinants of demand, normal and inferior goods, reasons and graph for a change/shift in demand and supply, reason and graph for a change in quantity demanded and supplied, surplus and shortage, equilibrium price and quantity, price floor and ceiling, price elasticity of demand and supply, elasticity and revenue, short run vs. long run, income and substitution effect.

Graphs: Demand and supply with equilibrium
Change in demand and supply
Change in quantity demanded and supplied
Price floors & ceilings with consumer/producer shortages and surpluses
Elasticity & revenue
Total-revenue curve
Indifference curves

Activities/Videos:

- Brue Study Guide: Read & Complete questions for Chapters 3, 20, 21, & 21 Appendix.
- Brue Textbook: Read Chapters 3, 20, 21, and Appendix 21. Define Terms & Concepts & Complete Study Questions for each chapter.
- NCEE Student Activities Micro Workbook Unit 2: Activities 9-23.
- NCEE Teachers Resource Manual: Micro Unit 2: Lessons 1-6
- Economics USA Video: Supply and Demand: What Sets the Price?

Assessment:

- Quiz after each chapter
- Unit 2 Test

UNIT 3—THE THEORY OF THE FIRM (4 weeks) [35-45%]

Chapter 22 The Cost of Production

- Costs
 - Economic
 - Short Run
 - Fixed, Variable, and Total Costs
 - Per-Unit, or Average Costs
 - Marginal Cost
 - Long Run

Chapter 23 Pure Competition

- Characteristics
- Demand
- Profit Maximization
- Efficiency

Chapter 24 Pure Monopoly

- Barriers to Entry
- Output & Price Determination
- Economic Effects
- Price Discrimination
- Regulated

Chapter 25 Monopolistic Competition and Oligopoly

- Price and Output
- Product Variety
- Oligopoly and Advertising
- Efficiency

Key Concepts: Costs (economic, explicit, implicit, fixed and variable), short vs. long run, total product, marginal product and diminishing returns, average product, average (fixed, variable, and total costs), marginal cost, economies of scale, pure competition, monopolistic competition, types of oligopoly, types of monopoly, revenue (average, total and marginal), $MR=MC$ rule, product pricing, game theory

Graphs: Marginal product—identify ranges of increasing, decreasing and negative Returns

Marginal and average product curves

Total fixed, variable and total cost curves

Average fixed, variable, total and marginal cost curves

Long-run average total cost curve

Perfectly competitive

Side-by-side industry and firm and in long-run equilibrium

With short-run profits and losses

Monopoly

Profit maximizing price and quantity

Socially optimal or fair return price

Monopolistically competitive firm in the short and long run

Activities/Videos:

- Brue Study Guide: Read & Complete questions for Chapter 23, 24 & 25.
- Brue Textbook: Read Chapters 23, 24, & 25. Define Terms & Concepts & Complete Study Questions for each chapter
- NCEE Student Activities Micro Workbook, Unit 3: Activities 24-42.
- NCEE Teacher Resource Manual: Micro Unit 3: Lessons 1-4
- Economics USA Video: Monopoly: Who's in Control?
- Economics USA Video: Oligopolies: Whatever Happened to Price Competition?

Assessment:

- Quiz after each chapter
- Unit 3 Test

UNIT 4—FACTOR MARKETS (2 weeks) {10-15%}

Chapter 27 The Demand for Resources

- Determinants
- Elasticity

Chapter 28 Wage Determination

- Labor, Wages, Earnings
- Models
- Wage Differentials

Chapter 29 Rent, Interest, and Profit

- Economic Rent
- Interest
- Economic Profit

Key Concepts: Circular flow, derived demand, marginal product, marginal revenue product, marginal resource cost, $MRP = MRC$ rule, monopsony, bilateral monopoly, unions, marginal revenue productivity, interest rate (real, pure and nominal), explicit and implicit costs, economic/pure and normal profit, factor and product market, nominal and real wage

Graphs:

- Circular flow
- Marginal revenue product (demand) curve
- Market's and firm's marginal revenue product and marginal resource cost (supply) curves
- Side by side perfectly competitive market and firm
- Monopsony

Activities/Videos:

- Brue Study Guide: Read & Complete questions for Chapters 24, 28 & 29
- Brue Textbook: Read Chapters 27, 28 & 29, Define Terms & Concepts & Complete Study Questions for each chapter
- NCEE Students Activities Micro Workbook Unit 4: Activities 43-51
- NCEE Teacher Resource Manual: Micro Unit 4: Lessons 1-5
- Economics USA Video: Labor and Management: How Do They Come to Terms?

Assessment:

- Quiz after each chapter
- Unit 4 Test

UNIT 5—EFFICIENCY, EQUITY AND GOVERNMENT (2 weeks)[10%-15%]

Chapter 4 The Market System

- Characteristics
- Systems at Work
- Invisible Hand

Chapter 5 The US Economy: Private and Public Sectors

- Household
- Business
- Government
 - Federal
 - State and Local
- Circular Flow

Chapter 30 Government and Market Failure

- Public Goods
- Externalities

Key Concepts: Private property, self-interest, consumer sovereignty, creative destruction, money, expanding and declining industry, functional and personal distribution of income, durable and nondurable goods, sole proprietorship, corporation, spillover costs and benefits, free-rider, transfer payments, taxes, cost-benefit analysis, externalities, marginal-cost-marginal-benefit rule, moral hazard & adverse selection problems.

Graphs: Market supply and demand with optimal price/quantity
Market supply and demand with positive and negative externality
Lorenz curve

Activities/Simulations/Videos:

- Brue Study Guide: Read & Complete questions for Chapters 4, 5, & 30
- Brue Textbook: Read Chapters 4, 5, & 30, Define Terms & Concepts & Complete Study Questions for each chapter
- NCEE Student Activities Micro Workbook Unit 5: Activities 52-60
- NCEE Teacher Resource Manual: Micro Unit 5: Lessons 1-4
- Economic USA Video: Public Goods and Responsibilities: How Far Should We Go?

Assessment:

- Quiz after each chapter
- Unit 5 Test

FINAL EXAM: (2 hours)

Free-response exam (1st hour)Multiple-choice exam (2nd hour)

STUDENT ACTIVITIES:

Find, summarize, relate to economic concepts with graphs if applicable and present a news event each week.

Two projects/papers will be required based on summer and supplemental Readings.

STUDENT EVALUATION:

Tests	50%
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Quizzes	20%
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Papers & Assignments	30%
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MACROECONOMICS (Second Semester)

Students will gain a thorough understanding of the economic principles related to the economy as a whole. Primary emphasis is placed on determinants of national income and price levels, economic indicators, inflation and unemployment, money and banking, stabilization policies, and the United States and international trade.

UNIT 1—AN INTRODUCTION TO ECONOMICS [5-10%]

Chapter 1 The Nature and Method of Economics

Chapter 1 Appendix

Chapter 2 The Economizing Problem

Chapter 37 International Trade

Chapter 3 Individual Markets: Demand and Supply

(These basic economic concepts were covered in Microeconomics Semester 1, so they will only be briefly reviewed in the Macroeconomics Semester 2)

Review—NCEE Teacher Resource Manual Macro Unit 1: Lessons 1-5

NCEE Students Activities Macro Workbook Unit 1: Activity 1-8

UNIT 2—MEASURE OF ECONOMIC PERFORMANCE (2 Weeks)[8-12%]

Chapter 7 Measuring Domestic Output and National Income

- GDP
- Expenditures vs. Real
- Shortcomings

Chapter 8 Introduction to Economic Growth and Instability

- Business Cycle
- Unemployment
- Inflation
- Effects of Inflation

Key Concepts: national income accounting, GDP, intermediate goods, value added, expenditure and income approaches, consumption, investment, net exports, government, price index, national accounts, GDP per capita, rules of 70, business cycle and phases, types of unemployment, CPI, NRU, demand-pull and cost-push inflation, real and nominal interest rates, COLAs

Graphs: Circular flow
Business cycle
GDP gap

Activities/Simulations/Videos:

Brue Study Guide: Read & Complete questions for Chapters 7 & 8

Brue Textbook: Read Chapters 7 & 8, Define Terms & Concepts & Complete Study Questions for each chapter

NCEE Student Activities Macro Workbook Unit 2: Activities 9-18

NCEE Teacher Resource Manual: Macro Unit 2: Lessons 1-5

Economics USA Video: Booms and Busts: What Causes the Business Cycle?

Assessment:

- Quiz at end of each chapter
- Unit 2 Test

UNIT 3—NATIONAL INCOME & PRICE DETERMINATION: AGGREGATE
SUPPLY & DEMAND (4 Weeks)[8-12%]

Chapter 9 Basic Macroeconomic Relationships

- Income-Consumption and Income-Savings Relationships
- Real Interest Rate—Investment Relationship
- Multiplier Effect

Chapter 10 The Aggregate Expenditures Model

- Consumption and Investment Schedules
- Equilibrium
 - Multiplier
 - International Trade
 - Public Sector
- Equilibrium vs. Full-Employment GDP

Chapter 11 Aggregate Demand and Aggregate Supply

- Aggregate Demand & Supply
- Equilibrium and Changes

Chapter 16 Extending the Analysis of Aggregate Supply

- Short Run to Long Run
- Applying the Extended AD-AS Model
- Inflation-Unemployment Relationship
- Long-Run Phillips Curve
- Taxation and Aggregate Supply

Chapter 12 Fiscal Policy

- Mandates
- Fiscal Policy and the AD-AS Model
- Built-In Stability
- Evaluating Policy
- Problems, Criticisms, and Complications

Key Concepts: 45-degree line, consumption and saving schedule, APC, APS, MPC, MPS, investment demand curve, multiplier, investment schedule, aggregate expenditures schedule, leakage, equilibrium GDP, injections, lump-sum tax, recessionary and inflationary gap, aggregate demand and supply, productivity, efficiency wages, menu costs, Phillips Curve, stagflation, supply-side economics, Laffer Curve, fiscal policy, CEA, expansionary and contractionary fiscal policy, built-in stabilizer, types of tax system, crowding out

Graphs:

- Consumption & disposable income
- Consumption & saving schedule plus shifts
- MPS & MPC slope
- Investment demand curve plus shifts
- Investment schedule
- Equilibrium GDP w/ $C + I, G, X$
- Recessionary and inflationary gaps
- Aggregate demand plus shifts
- Aggregate supply long and short run plus shifts
- Multiplier effect
- Equilibrium, Demand-pull inflation and recession in extended AD-AS model
- Phillips Curve
- Long-run vertical Phillips Curve
- Laffer Curve
- Expansionary and contractionary fiscal policy
- Built-in stability
- Full-employment deficits
- Fiscal policy & effects of crowding out and net export effect

Activities/Videos:

- Brue Study Guide: Read & Complete questions for Chapters 9, 10, 11, 16, and 12
- Brue Textbook: Read Chapters 9, 10, 11, 16, and 12. Define Terms & Concepts & Complete Study Questions for each chapter
- NCEE Student Activities Macro Workbook Unit 3: Activities 9-33
- NCEE Teacher Resource Manual: Macro Unit 3: Lessons 1-8
- Economics USA Video: John Maynard Keynes: What Did We Learn from the Great Depression and/or Fiscal Policy: Can We Control the Economy?

Assessment:

- Quiz at end of each chapter
- Unit 3 Test

UNIT 4—MONEY, BANKING, AND MONETARY POLICY (2 Weeks)

Chapter 13 Money and Banking

- Functions of Money
- Supply of Money
- Demand for Money
- Money Market
- Federal Reserve and Banking System
- Recent Developments

Chapter 14 How Banks and Thrifts Create Money

- Commercial Banks
- Multiple-Deposit Expansion

Chapter 15 Monetary Policy

- Consolidate Balance Sheets
- Tools of Monetary Policy
- Monetary Policy, Real GDP, and Price Level
- Policy in Action

Key Concepts: medium of exchange, store of value, M1, M2, M3, money market, MMMF, Federal Reserve System, Board of Governors, FOMC, balance sheet, fractional reserve banking, required reserves, Federal funds rate, monetary multiplier, monetary policy, open market-operations, discount and Federal funds and prime interest rate, easy and tight money policy, velocity of money, cyclical asymmetry

Graphs: Demand for money and money market
Changes in the supply of money, bond price, and interest rates
Monetary policy and equilibrium GDP

Activities/Videos:

- Brue Study Guide: Read & Complete questions for Chapters 13, 14, and 15
- Brue Textbook: Read Chapters 13, 14, and 15, Define Terms & Concepts & Complete Study Questions for each chapter
- NCEE Student Activities Macro Workbook Unit 4: Activities 34-42
- NCEE Teacher Resource Manual: Macro Unit 4: Lesson 1-6
- Economics USA Video: Monetary Policy: How Well Does It Work?

Assessment:

- Quiz at the end of each chapter
- Unit 4 Test

UNIT 5—LONG-RUN PERSPECTIVES AND MACROECONOMIC DEBATES

(4 Weeks)[15-20%]

Chapter 17 Economic Growth

- Ingredient of Growth
- Production Possibilities Analysis
- Accounting for Growth
- Productivity Acceleration
- Desirable and Sustainable?

Chapter 18 Deficits, Surpluses and the Public Dept

- Philosophies
- Public Debt
- Concerns
- Issues

Chapter 19 Disputes over Macro Theory and Policy

- History: Classical Economics and Keynes
- Causes of Macro Instability
- Self-Correcting?
- Rules or Discretion?

Key Concepts: economic growth, supply and demand and efficiency factors, labor productivity, infrastructure, economies of scale, New Economy, start-up firms, network effects, public debt, annually and cyclically balanced budget, functional finance external public debt, public investments, classical and Keynesian view, monetarism, velocity, real-business-cycle theory, rational expectations theory, new classical economics, insider-Outsider theory, monetary rule

Graphs: Production possibilities
 Economic growth in the extended AD-AS model
 Real-business-cycle theory
 Classical view of self-correction
 Rationale for a monetary rule

Activities/Videos:

Brue Study Guide: Read & Complete questions for Chapters 17, 18, and 19
Brue Textbook: Read Chapters 17, 18, and 19, Define Terms & Concepts
 & Complete Study Questions for each chapter
NCEE Student Activities Macro Workbook Unit 5: Activities 43-48
NCEE Teacher Resource Manual: Macro Unit 5: Lessons 1-5
Economics USA Video: Stabilization Policy: Are We Still in Control?

Assessment:

Quiz at end of each chapter
Unit 5 Test

UNIT 6—INTERNATIONAL ECONOMICS AND THE WORLD ECONOMY (2 Weeks)[10-15%]

Chapter 38 Exchange Rates, the Balance of Payments, and Trade Deficits

- Financing International Trade
- Balance of Payments
- Flexible Exchange Rates
- Deficits

Chapter 39 The Economics of Developing Countries

- The Rich and the Poor
- Obstacles to Economic Development
- Vicious Circle
- Role of Government and Advanced Nations
- Where from Here?

Key Concepts: balance of payments, current account, trade deficit and surplus, balance-of-payments deficits and surpluses, fixed and flexible-or floating exchange-rate system

Graphs: Market for foreign currency

Activities/Videos:

- Brue Study Guide: Read & Complete questions for Chapters 38 and 39
- Brue Textbook: Read Chapters 38 and 39, Define Terms & Concepts
& Complete Study Questions for each chapter
- NCEE Student Activities Macro Workbook Unit 6: Activities 49-55
- NCEE Teacher Resource Manual: Macro Unit 6: Lessons 1-4
- Economics USA Video: International Trade: For Whose Benefit? and/or
Exchange Rates: What in the World is a Dollar Worth?

Assessment:

- Quiz at end of each chapter
- Unit 6 Test

FINAL EXAM: (2 hours)

- Free-response exam (1st hour)
- Multiple-choice exam (2nd hour)

STUDENT ACTIVITIES:

- Find, summarize, relate to economic concepts with graphs if applicable and
present a news event each week
- Prepare two projects/papers, based on supplemental readings or activities

STUDENTS EVALUATION:

Tests	50%
Quizzes	20%
Papers & Assignments	30%