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Course Description

Welcome to Advanced Placement Microeconomics! Microeconomics is the study of how individuals and individual businesses make decisions and how economists model these decisions.

AP Test Information

The 2015 AP Microeconomics exam will be held on Friday, May 15. The test will consist of a 70 minute timed Multiple Choice section with 60 questions followed by a 60 minute timed Free Response section consisting of 3 free response questions. The exam score is split 1/3 for the Multiple Choice section and 2/3 for the Free Response section.

Textbook Resources


This course will also make use of supplementary resources such as outside articles as well as a variety of internet sources centered on current events. Videos, graphs, tables, and charts are all apart of economics and will be material covered during the course.

Economics by Example, David A. Anderson  
Advanced Placement Economics 4th Ed. NCEE

Teacher’s Classroom Expectations

- Students are expected to arrive to class on-time and prepared for class.  
- Students are expected to be respectful to other students in class.  
- Students are expected to complete assignments on time.  
- Students will help keep the classroom clean and refrain from food or drink use.

Absences and Late Work Policy

If a student is absent for an assignment he or she will be given a minimum of 5 days to complete and submit the assignment for no penalty. Any assignments submitted after the due date will be accepted at the teacher’s discretion with a possible grade penalty.

Grade Breakdown

- Class Participation – 15%  
- Projects – 25%  
- Activities and Worksheets – 25%  
- Tests and Quizzes – 35%
Common Core Benchmarks for Social Studies

**CCSS.ELA-Literacy.RH.11-12.1** Cite specific textual evidence to support analysis of primary and secondary sources, connecting insights gained from details to an understanding of the text as a whole.

**CCSS.ELA-Literacy.RH.11-12.2** Determine the central ideas or information of a primary or secondary source; provide an accurate summary clarifies the relationships among the key details and ideas.

**CCSS.ELA-Literacy.RH.11-12.3** Evaluate various explanations for actions or events and determine which explanation best accords with textual evidence, acknowledging where the text leaves matters uncertain.

**CCSS.ELA-Literacy.RH.11-12.4** Determine the meaning of words and phrases as they are used in a text, including analyzing how an author uses and refines the meaning of a key term over the course of a text (e.g., how Madison defines *faction* in *Federalist* No. 10).

**CCSS.ELA-Literacy.RH.11-12.5** Analyze in detail how a complex primary source is structured, including how key sentences, paragraphs, and larger portions of the text contribute to the whole.

**CCSS.ELA-Literacy.RH.11-12.6** Evaluate authors’ differing points of view on the same historical event or issue by assessing the authors’ claims, reasoning, and evidence.

**CCSS.ELA-Literacy.RH.11-12.7** Integrate and evaluate multiple sources of information presented in diverse formats and media (e.g., visually, quantitatively, as well as in words) in order to address a question or solve a problem.

**CCSS.ELA-Literacy.RH.11-12.8** Evaluate an author’s premises, claims, and evidence by corroborating or challenging them with other information.

**CCSS.ELA-Literacy.RH.11-12.9** Integrate information from diverse sources, both primary and secondary, into a coherent understanding of an idea or event, noting discrepancies among sources.

**CCSS.ELA-Literacy.RH.11-12.10** By the end of grade 12, read and comprehend history/social studies texts in the grades 11–CCR text complexity band independently and proficiently.

Course Content Area Overview

I. **Basic Economic Concepts (~4 weeks)**
   - A. Scarcity, choice, and opportunity cost
   - B. Production possibilities curve
   - C. Comparative advantage, absolute advantage, specialization, and trade
   - D. Economic systems
   - E. Property rights and the role of incentives
   - F. Marginal analysis

Key Vocabulary – Scarcity; Shortage, Comparative Advantage, Absolute Advantage; Capitalism; Command Economy; Market; Marginal Benefit; Marginal Cost; Production Possibility Frontier; Opportunity Cost; Demand; Supply; Law of Demand; Law of Supply; Factors of Production

II. **The Nature and Functions of Product Markets (~15 weeks)**
   - A. Supply and Demand (15-20%)
     1. Market Equilibrium
     2. Determinants of supply and demand
     3. Price and quantity controls
     4. Elasticity
        a. Price, income, and cross-price elasticity of demand
        b. Price elasticity of supply
     5. Consumer surplus, producer surplus, and allocative efficiency
     6. Tax incidence and deadweight loss
B. Theory of consumer choice (5-10%)
   1. Total utility and marginal utility
   2. Utility maximization: equalizing marginal utility per dollar
   3. Individual and market demand curves
   4. Income and substitution effects
C. Production and costs (10-15%)
   1. Production functions: short and long run
   2. Marginal product and diminishing returns
   3. Short-run costs
   4. Long-run costs and economies of scale
   5. Cost minimizing input combination and productive efficiency
D. Firm behavior and market structure (25-35%)
   1. Profit
      a. Accounting versus economic profits
      b. Normal profit
      c. Profit maximization: MR=MC rule
   2. Perfect competition
      a. Profit maximization
      b. Short-run supply and shutdown decision
      c. Behavior of firms and markets in the short run and in the long run
      d. Efficiency and perfect competition
   3. Monopoly
      a. Sources of market power
      b. Profit maximization
      c. Inefficiency of monopoly
      d. Price discrimination
      e. Natural monopoly
   4. Oligopoly
      a. Interdependence, collusion, and cartels
      b. Game theory and strategic behavior
      c. Dominant strategy
      d. Nash equilibrium
   5. Monopolistic competition
      a. Product differentiation and role of advertising
      b. Profit maximization
      c. Short-run and long-run equilibrium
      d. Excess capacity and inefficiency

Key Vocabulary – Equilibrium; Disequilibrium; Price Ceiling; Price Floor; Determinants of Supply; Determinants of Demand; Price Elasticity of Demand; Marginal Utility; Consumer Surplus; Producer Surplus; Deadweight Loss; Income and Substitution Effects; Allocative Efficiency; Short-Run; Long-Run; Economic Profit; Accounting Profit; Profit Maximization; Monopoly; Nash Equilibrium; Game Theory

III. Factor Markets (~4 weeks) (10-15%)
A. Derived factor demand
B. Marginal revenue product
C. Hiring decisions in the markets for labor and capital
D. Market distribution of income
Key Vocabulary – Marginal Revenue; Unequal Distribution of Income; Circular Flow; Derived Demand; Determination of wages

IV. Market Failure and the Role of Government (~7 weeks) (12-18%)
A. Externalities
   1. Marginal social benefit and marginal social cost
   2. Positive externalities
   3. Negative externalities
   4. Remedies
B. Public goods
   1. Public versus private goods
   2. Provision of public goods
C. Public policy to promote competition
   1. Antitrust policy
   2. Regulation
D. Income distribution
   1. Equity
   2. Sources and measures of income inequality

Key Vocabulary – Externality; Positive Externality; Negative Externality; Marginal Private Cost; Marginal Social Cost; Marginal Private Benefit; Marginal Social Benefit; Tax; Subsidy; Public Good; Private Good; Excludability; Antitrust; Income Distribution