AP Microeconomics Aligned to Econlowdown

Micro Outline Content Area

I. Basic Economic Concepts . . . . (8–14%)

A. Scarcity, choice, and opportunity cost

Page One Economics Classroom Edition- Choices Are Everywhere: Why Can't We Just Have it All?

As the Rolling Stones song says, "You can't always get what you want." So we make choices. Every day, governments and individuals choose how much money to spend and what to purchase. The January 2013 issue discusses opportunity costs and scarcity and how they effect our spending decisions.

https://www.stlouisfed.org/education/page-one-economics-classroom-edition/choices-are-everywhere-why-cant-we-just-have-it-all

Volume 1, Episode 1 (5:43)

In this first episode of *The Economic Lowdown*, we will introduce three topics in economics: choice, scarcity and opportunity cost.

https://www.stlouisfed.org/education/economic-lowdown-podcast-series/episode-1-opportunity-cost

In **under 12 minutes**, your students can complete this course which points to an important concept in economics—**every choice we make has a cost**—an opportunity cost. Some costs are small and relatively short-term. Others are significant. Recognizing the opportunity costs of your decisions can help you make more informed choices. This short course is designed to help you apply the idea of opportunity cost to the decisions you make.

To register your students for one or more of our online courses, visit the **Instructor Management Panel**.

https://www.stlouisfed.org/education/opportunity-cost-online-course-for-teachers-and-students

B. Production possibilities curve

Students develop the production possibilities frontier model while discussing the value of models in general in explaining complex ideas. They see what movement along the production possibilities curve entails—on both the constant-cost curve and a bowed curve indicating increasing costs. They discuss ways a society can consume beyond the limits of its production possibilities through specialization and trade, as well as through an increase in resources, capital investment, and technological advance.

lesson (.pdf)
SMART/.notebook
lesson (.pdf)
PowerPoint

https://www.stlouisfed.org/education/production-possibilities

C. Comparative advantage, absolute advantage, specialization, and trade

This series of slides presents the production possibilities frontiers for Alphatown and Omegaville and illustrates their comparative advantage in the production of apples and potatoes, leading to specialization and trade.

whiteboard (SMART/.notebook)

https://www.stlouisfed.org/education/comparative-advantage

In this course, you will meet Jack Of All Trades, a most awesome superhero. In all tasks, Jack can do everything better and faster (he has absolute advantage), but does that mean he must do everything while the rest of the people stand around helplessly? Find out if justice is served when a formerly idle citizen, Andy, wades through the depths of opportunity cost and the benefits of comparative advantage.

To register your students for one or more of these courses, visit the **Instructor Management Panel**.

https://www.stlouisfed.org/education/comparative-advantage-online-course-for-teachers-and-students

D. Economic systems

Volume 1, Episode 3 (6:21)

Adam Smith described self-interest and competition in a market economy as the "invisible hand" that guides the economy. This episode of "The Economic Lowdown" explains these concepts and their importance to our understanding of the economic system.

https://www.stlouisfed.org/education/economic-lowdown-podcast-series/episode-3-the-role-of-self-interest-and-competition-in-a-market-economy

E. Property rights and the role of incentives

Volume 1, Episode 12 (11:31)

Prices send signals and provide incentives for buyers and sellers in ways you possibly never thought about. In a market economy, price signals prevent massive shortages and ensure that consumer wants are largely satisfied. In this podcast, hear how price signals from gas prices influence decision-making for both a father of three and a production supervisor for an oil refinery. Do you see price signals influencing decisions in your life?

https://www.stlouisfed.org/education/economic-lowdown-podcast-series/episode-12-price-signals

Page One Economics Classroom Edition-Prices: The Marketplace's Communication System

Remember when airlines started charging for checked bags? What happened to the number of checked bags after this added charge? And what happened to the availability of in-cabin storage space on planes? The April 2013 issue answers these questions and discusses the pivotal role price plays in a market economy.

https://www.stlouisfed.org/education/page-one-economics-classroom-edition/prices-the-marketplaces-communication-system

F. Marginal analysis

II. The Nature and Functions of Product Markets . . . . (55–70%)

A. Supply and demand (15–20%)

Volume 1, Episode 6 (6:57)

The sixth podcast in this series examines the law of demand. Those who love candy bars will find this lesson especially easy to digest. A demand curve is simply defined, as are the sorts of changes that might affect that curve—all in less than seven minutes.

https://www.stlouisfed.org/education/economic-lowdown-podcast-series/episode-6-demand

In the second episode of the Economic Lowdown Video Series, economic education specialist Scott Wolla explains the concept of demand. Viewers will learn how a change in the price of a good affect the quantity of the good consumers will buy and how changes in market conditions affect the demand for a good.

To provide students with online questions following this video, register your class through the Instructor Management Panel.

https://www.stlouisfed.org/education/economic-lowdown-video-series/episode-2-demand

Upon completion of this lesson, students will be able to list the determinants of demand and supply, recognize which factors will cause demand curves or supply curves to shift, determine equilibrium using a demand/supply graph, and show the effects on price and quantity when equilibrium changes. From the *Inside the Vault* article, "What Is Driving Oil Prices?"

lesson (.pdf)

https://www.stlouisfed.org/education/oil-prices-demand-and-supply

Students create a graph of gasoline supply and demand and identify the market-clearing price, then graph a decrease in demand for gasoline and a decrease in supply of gasoline to understand how those factors affect prices. From the *Inside the Vault* article, "Why Do Gasoline Prices React to Things That Have Not Happened?"

lesson (.pdf)

https://www.stlouisfed.org/education/shifting-curves-demand-and-supply-shifts-in-the-gasoline-market

This series of slides aids students in reviewing the determinants of supply and demand, provides an exercise for them to choose which of the curves shift and why, and allows them to determine which curve will shift given a market event.

whiteboard (SMART/.notebook)

https://www.stlouisfed.org/education/supply-and-demand

Volume 1, Episode 7 (6:17)

The seventh episode of our podcast series discusses the supply side of the market - the law of supply, slope of the curve and the difference between a change in supply and a change in quantity supplied.

https://www.stlouisfed.org/education/economic-lowdown-podcast-series/episode-7-supply

Economic Education Specialist, Scott Wolla, explains the concept of supply in the first episode of the Economic Lowdown Video Series. Students will learn how changes in the price of a good affect the quantity of the goods produced and how changes in market conditions will affect the supply curve.

To provide students with online questions following this video, register your class through the Instructor Management Panel.

https://www.stlouisfed.org/education/economic-lowdown-video-series/episode-1-supply

1. ***Market equilibrium***

   The eighth episode of our podcast series answers a crucial economic question: Where do prices come from? Listeners discover that supply and demand work together like the two blades of a scissors to determine the market equilibrium - and the prices of the things you buy.

   https://www.stlouisfed.org/education/economic-lowdown-podcast-series/episode-8-market-equilibrium

In the third episode of the Economic Lowdown Video Series, economic education specialist Scott Wolla explains the concept of equilibrium. Viewers will get a refresher on the laws of supply and demand before they learn about market equilibrium - the point at which there is no shortage or surplus of a good or service.

https://www.stlouisfed.org/education/economic-lowdown-video-series/episode-3-equilibrium

2. Determinants of supply and demand

This series of slides aids students in reviewing the determinants of supply and demand, provides an exercise for them to choose which of the curves shift and why, and allows them to determine which curve will shift given a market event.

https://www.stlouisfed.org/education/supply-and-demand

Supply and demand are among the most fundamental concepts in economics. An understanding of these topics helps students better understand the economic world in which they live. This course includes three interactive lessons that introduce supply, demand and market equilibrium. This course uses a fictitious chocolate market to help explain the concepts.

https://www.stlouisfed.org/education/supply-and-demand-online-course-for-teachers-and-students

3. Price and quantity controls

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https://www.stlouisfed.org/education/page-one-economics-classroom-edition/prices-the-marketplaces-communication-system

Prices send signals and provide incentives for buyers and sellers in ways you possibly never thought about. In a market economy, price signals prevent massive shortages and ensure that consumer wants are largely satisfied. In this podcast, hear how price signals from gas prices influence decision-making for both a father of three and a production supervisor for an oil refinery. Do you see price signals influencing decisions in your life?

https://www.stlouisfed.org/education/economic-lowdown-podcast-series/episode-12-price-signals

4. Elasticity

How elastic are rubber bands? There's more than one way to answer this question. The word "elasticity" is commonly used to describe things that have a stretchy quality to them. You might try to answer the question by stretching a rubber band across your finger and shooting it across the room. To an economist, however, elasticity can have a whole other meaning.

https://www.stlouisfed.org/education/economic-lowdown-podcast-series/episode-16-elasticity-of-demand

a. Price, income, and cross-price elasticities of demand

b. Price elasticity of supply

5. Consumer surplus, producer surplus, and allocative efficiency

This series of SMART slides aids students in defining and calculating consumer surplus, producer surplus, and total economic surplus.

https://www.stlouisfed.org/education/the-illustrated-consumer-and-producer-surplus

6. Tax incidence and deadweight loss

Use these SMART slides to demonstrate the shifting tax burden and changes in tax revenue and deadweight loss when taxes are applied. Students have the opportunity to identify tax burden, revenue, and deadweight loss when slopes of supply and demand change.

https://www.stlouisfed.org/education/tax-incidence

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

These slides present graphs related to perfect competition, the market structure in which there are many buyers and sellers of an identical product and there are no barriers to enter or exit the market. The slides illustrate firms' short-run decisions.

https://www.stlouisfed.org/education/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

These slides present graphs related to monopoly, the market structure in which there is only one producer of a good or service and there are high barriers to entry. The slides illustrate firms' short-run decisions.

https://www.stlouisfed.org/education/monopoly

a. Sources of market power

b. Profit maximization

c. Inefficiency of monopoly

d. Price discrimination

The cost of a college education seems to be skyrocketing—but is it really? Learn about the concept of price discrimination and how it affects college costs.

https://www.stlouisfed.org/education/page-one-economics-classroom-edition/the-rising-cost-of-college-tuition-financial-aid-and-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

Teaching market structures in a microeconomics class? These slides present graphs related to monopolistic competition, the market structure in which there are many firms that produce similar, but not identical, products and there are few barriers to entry. The slides illustrate firms' short-run decisions.

https://www.stlouisfed.org/education/monopolistic-competition

a. Product differentiation and role of advertising

b. Profit maximization

c. Short-run and long-run equilibrium

d. Excess capacity and inefficiency

III. Factor Markets . . . . (10–18%)

A. Derived factor demand

B. Marginal revenue product

C. Hiring decisions in the markets for labor and capital

D. Market distribution of income

IV. Market Failure and the Role of Government . . . . (12–18%)

A. Externalities

1. Marginal social benefit and marginal social cost

2. Positive externalities

Viewers will learn how costs and benefits sometimes affect bystanders and discover how taxes and subsidies can be used to "internalize" externalities. This is also available as a podcast.

https://www.stlouisfed.org/education/economic-lowdown-video-series/episode-5-externalities https://www.stlouisfed.org/education/economic-lowdown-podcast-series/episode-11-externalities

3. ***Negative externalities*** (see above they contain both +/- 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***

Students engage in an activity that matches programs for low-income people with the type of economic inequity the program addresses and observe an activity simulating tax payments and transfers.

https://www.stlouisfed.org/education/government-spending-and-taxes

2. ***Sources and measures of income inequality***