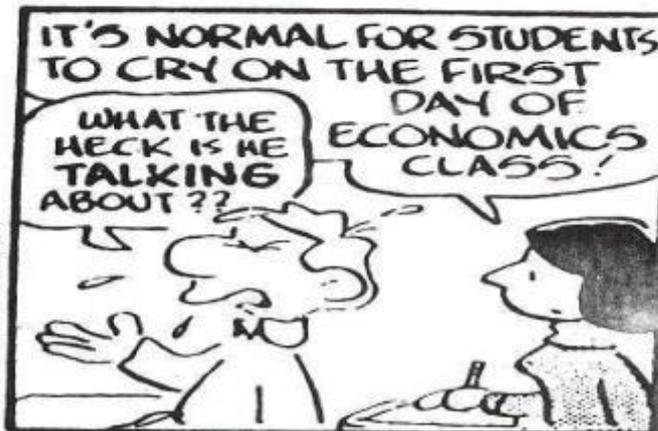
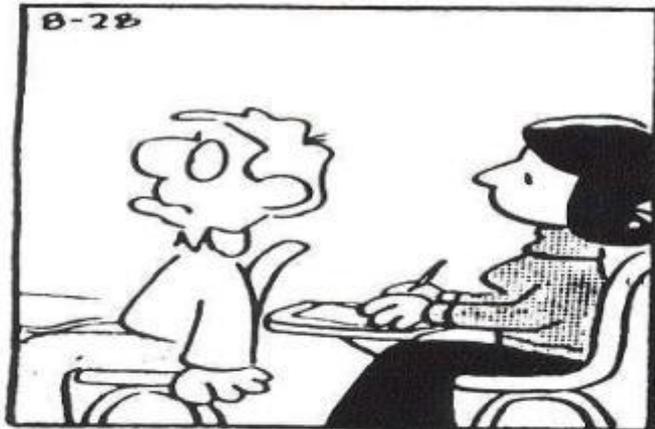


**AP Macro and Micro
Economics**

Course Descriptions

DRABBLE BY KEVIN FAGAN



What is AP Macroeconomics?

Macroeconomics examines the overall behavior of the economy —how the actions of all the individuals and firms interact to produce a particular economy-wide level of economic performance.

I. Basic Economic Concepts

(8-12%)

- A . Scarcity, choice, and opportunity costs**
- B . Production possibilities curve**
- C . Comparative advantage, specialization, and exchange**
- D . Demand, supply, and market equilibrium**
- E . Macroeconomic issues: business cycle, unemployment, inflation, growth**

II . Measurement of Economic Performance (12-16%)

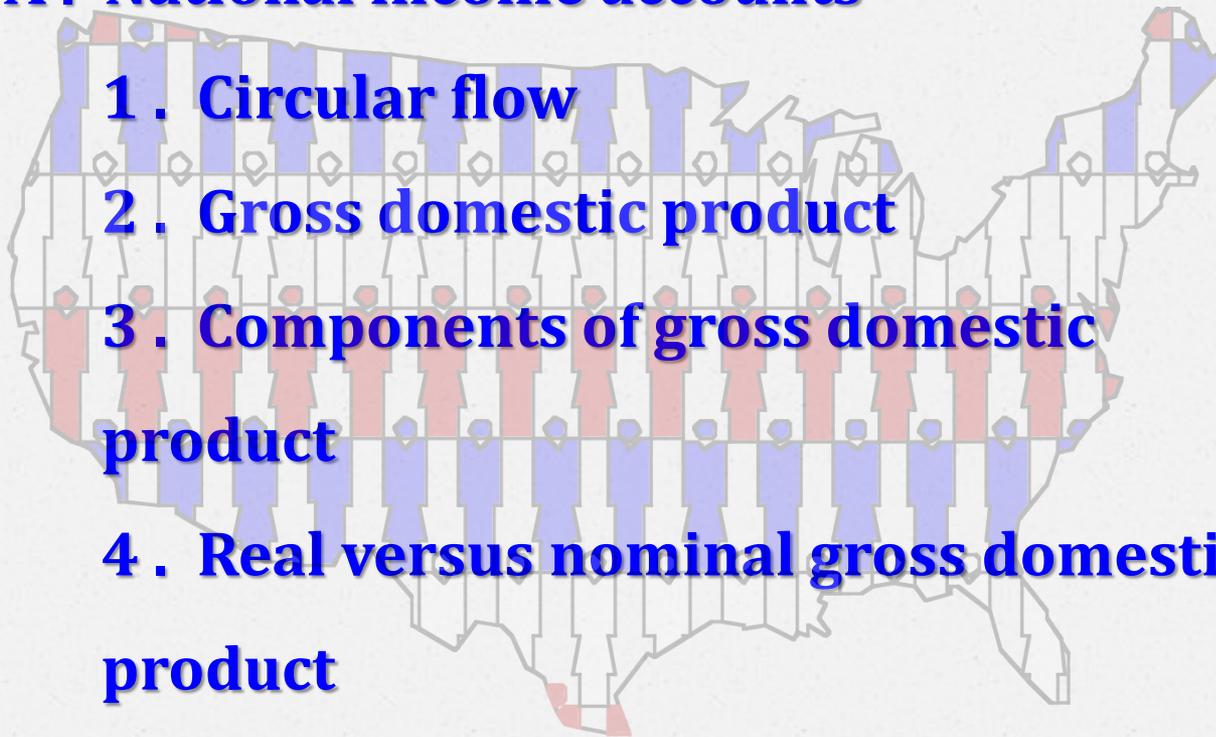
A . National income accounts

1 . Circular flow

2 . Gross domestic product

3 . Components of gross domestic product

4 . Real versus nominal gross domestic product



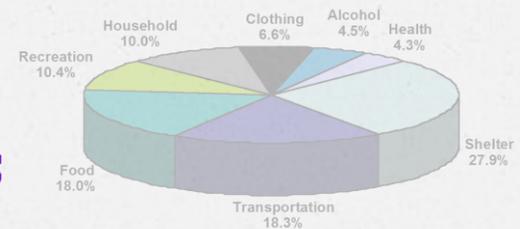
II . Measurement of Economic Performance (12-16%)

B . Inflation measurement and adjustment

1 . Price indices

2 . Nominal and real values

3 . Costs of inflation



C . Unemployment

1 . Definition and measurement

2 . Types of unemployment

3 . Natural rate of unemployment



III. National Income and Price Determination (10–15%)

A. Aggregate demand

- 1. Determinants of aggregate demand**
- 2. Multiplier and crowding-out effects**

B. Aggregate supply

- 1. Short-run and long-run analyses**
- 2. Sticky versus flexible wages and prices**
- 3. Determinants of aggregate supply**

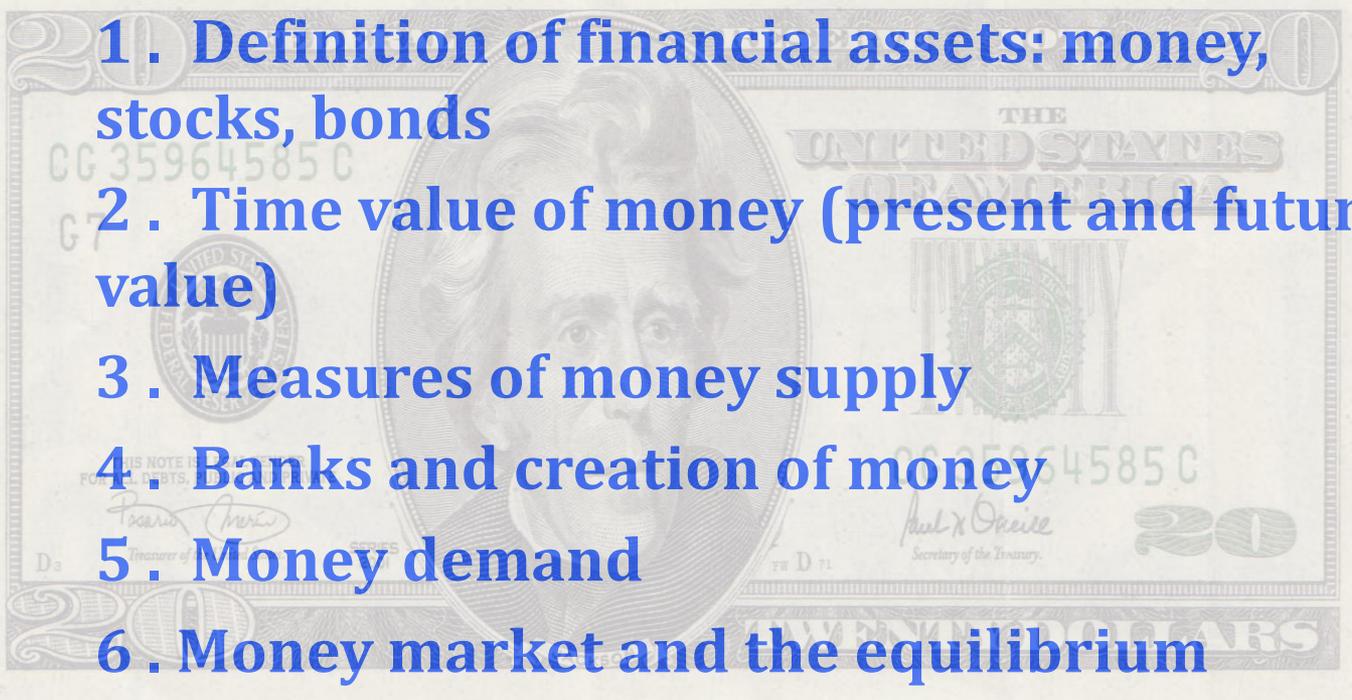
III. National Income and Price Determination (10–15%)

C. Macroeconomic equilibrium

- 1. Real output and price level**
- 2. Short and long run**
- 3. Actual versus full-employment output**
- 4. Business cycle and economic fluctuations**

IV. Financial Sector (15-20%)

A. Money, banking, and financial markets

1. Definition of financial assets: money, stocks, bonds
 2. Time value of money (present and future value)
 3. Measures of money supply
 4. Banks and creation of money
 5. Money demand
 6. Money market and the equilibrium nominal interest rate
- 

IV. Financial Sector (15-20%)

B. Loanable funds market

1. Supply of and demand for loanable funds

2. Equilibrium real interest rate

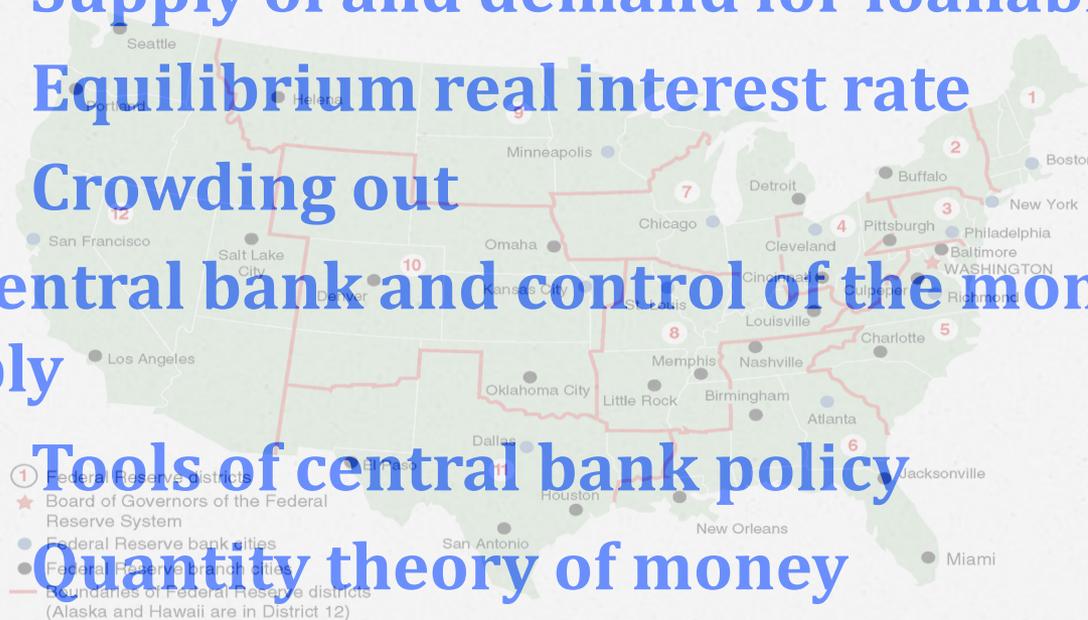
3. Crowding out

C. Central bank and control of the money supply

1. Tools of central bank policy

2. Quantity theory of money

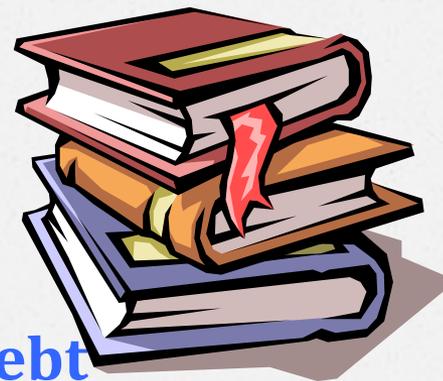
3. Real versus nominal interest rates



V. Stabilization Policies (20–30%)

A. Fiscal and monetary policies

1. Demand-side effects
2. Supply-side effects
3. Policy mix
4. Government deficits and debt



B. The Phillips curve

1. Short-run and long-run Phillips curves
2. Demand-pull versus cost-push inflation
3. Role of expectations

VI. Economic Growth (5-10%)

A . Definition of economic growth

B . Determinants of economic growth

1 . Investment in human capital

2 . Investment in physical capital

3 . Research and development, and technological progress

C . Growth policy



VII . Open Economy: International Trade and Finance (10-15%)

A . Balance of payments accounts

- 1 . Balance of trade**
 - 2 . Current account**
 - 3 . Financial account (formerly known as capital account)**
- 

VII . Open Economy: International Trade and Finance (10-15%)

B . Foreign exchange market

- 1 . Demand for and supply of foreign exchange**
- 2 . Exchange rate determination**
- 3 . Currency appreciation and depreciation**

C . Imports, exports, and financial capital flows

D . Relationships between international and domestic financial and goods markets

What is AP Microeconomics?

Microeconomics focuses on how individuals and firms make decisions, and the consequences of those decisions.

I . Basic Economic Concepts

(8-14%)

- 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**

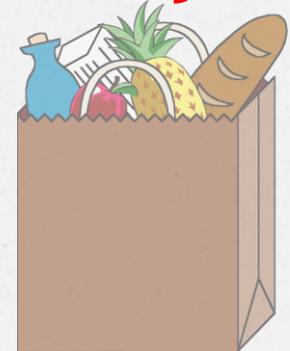
Scarcity - When There Is Not Enough For Everyone – Someone Suffers



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

A . Supply and demand (15–20%)

- 1 . Market equilibrium**
- 2 . Determinants of supply and demand**
- 3 . Price and quantity controls**



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

4 . Elasticity

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

b . Price elasticity of supply

**5 . Consumer surplus, producer surplus,
and allocative efficiency**

6 . Tax incidence and deadweight loss



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

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**

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

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**

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

D . Firm behavior and market structure (25-35%)

1 . Profit

- a . Accounting versus economic profits**
- b . Normal profit**
- c . Profit maximization: $MR=MC$ rule**

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

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

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

3 . Monopoly

- a . Sources of market power**
- b . Profit maximization**
- c . Inefficiency of monopoly**
- d . Price discrimination**
- e . Natural monopoly**



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

4 . Oligopoly

- a . Interdependence, collusion, and cartels
- b . Game theory and strategic behavior
- c . Dominant strategy
- d . Nash equilibrium



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

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



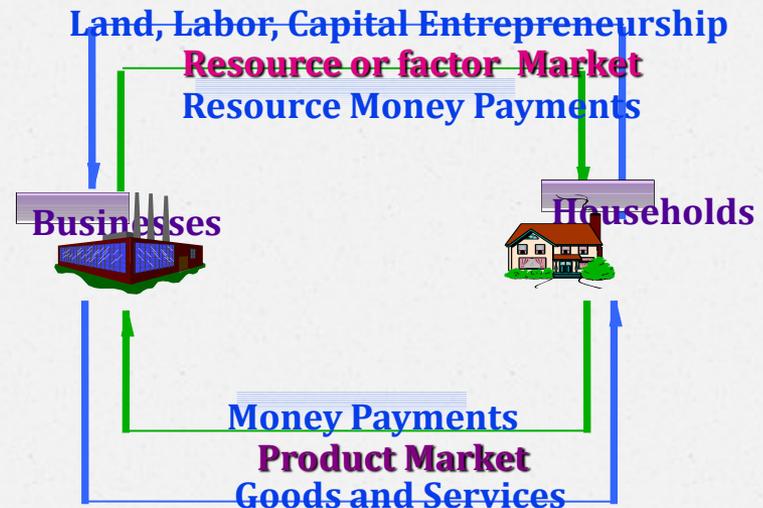
III . Factor Markets (10-18%)

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 (10-18%)

A . Externalities

- 1 . Marginal social benefit and marginal social cost
- 2 . Positive externalities
- 3 . Negative externalities
- 4 . Remedies



IV . Market Failure and the Role of Government (10-18%)

B . Public goods

- 1 . Public versus private goods**
- 2 . Provision of public goods**

C . Public policy to promote competition

- 1 . Antitrust policy**
- 2 . Regulation**

IV . Market Failure and the Role of Government (10-18%)

D . Income distribution

1 . Equity

2 . Sources and measures of income inequality

