

AP Microeconomics Course Outline and Linked Videos (KA)

- I. Unit 1: Basic Economic Concepts (8–14% of the AP Exam/2 weeks of our semester)
- 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

Textbook Chapters:

- Chapter 1: The Nature and Method of Economics
- Chapter 2: The Economizing Problem
- Chapter 37: International Trade

- II. Unit 2: The Nature and Functions of Product Markets (20–30% of the AP Exam/3-4 weeks of our semester)

- A. Supply and demand (15–20% of the AP Exam/2 weeks of our semester)
 - 1. [Market equilibrium](#)
 - 2. Determinants of [supply](#) and [demand](#)
 - 3. [Price and quantity controls](#)
 - 4. Elasticity
 - a. [Price](#), [income](#), and [cross-price elasticities of demand](#)
 - b. [Price elasticity of supply](#)
 - 5. [Consumer surplus](#), [producer surplus](#), and market efficiency
 - 6. [Tax incidence and deadweight loss](#)
- B. Theory of consumer choice (5–10% of the AP Exam/1 week of our semester)
 - 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

Textbook Chapters

- Chapter 3: Individual Markets: Demand and Supply
- Chapter 20: Supply and Demand: Elasticities and Government-Set Prices
- Chapter 21: Consumer Behavior and Utility Maximization

- III. Unit 3: Firm Production, Costs, and Market Structures (35–50% of the AP Exam/6-7 weeks of our semester)

- A. Production and costs (10–15% of the AP Exam/2 weeks of our semester)
 - 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
- B. Firm behavior and market structure (25–35% of the AP Exam/4-5 weeks of our semester)
 - 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 ([part 1](#))([part 2](#))
 - c. [Inefficiency of monopoly](#)
 - d. [Price discrimination](#)
 - e. Natural monopoly
 - 4. Oligopoly
 - a. [Interdependence, collusion, and cartels](#) ([why parties to cartels cheat](#) & [cheating firms](#))
 - b. [Game theory](#) and [strategic behavior](#)

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

Textbook Chapters:

- Chapter 22: The Costs of Production
- Chapter 23: Pure Competition
- Chapter 24: Pure Monopoly
- Chapter 25: Monopolistic Competition and Oligopoly

IV. Unit 4: Factor Markets (10–18% of the AP Exam/3-4 weeks of our semester)

- A. Derived factor demand
- B. [Marginal revenue product](#)
- C. [Labor market and firms' hiring of labor](#)
- D. Market distribution of income

Textbook Chapters:

- Chapter 27: The Demand for Resources
- Chapter 28: Wage Determination
- Chapter 29: Rent, Interest, and Profit

V. Unit 5: Market Failure and the Role of Government. . . (12–18% of the AP Exam/2-3 weeks of our semester)

- A. Externalities
 1. Marginal social benefit and marginal social cost ([tragedy of the commons](#))
 2. [Positive externalities](#)
 3. [Negative externalities](#)
 4. Remedies ([for negative](#))(for positive)
- 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 of income inequality

Textbook Chapters:

- Chapter 30: Government and Market Failure
- Chapter 31: Public Choice Theory and the Economics of Taxation
- Chapter 32: Antitrust Policy and Regulation
- Chapter 33: Income Inequality and Poverty