

TABLE OF CONTENTS

Acknowledgments v

Introduction vi

Unit 1 **Basic Economic Concepts**

Unit Overview 3

Lesson 1 The Economic Way of Thinking 5

Lesson 2 Scarcity and Opportunity Cost 9

Lesson 3 Production Possibilities Curves 11

Lesson 4 Resource Allocation and Economic Systems 21

Lesson 5 Absolute Advantage, Comparative Advantage, Specialization, and Trade 27

Lesson 6 Cost-Benefit Analysis 43

Lesson 7 Marginal Analysis and Consumer Choice 49

Unit 1 Multiple-Choice Sample Questions 55

Unit 2 **Supply and Demand**

Unit Overview 65

Lesson 1 Understanding Demand 69

Lesson 2 Understanding Supply 81

Lesson 3 Equilibrium Price and Quantity 93

Lesson 4 Price Elasticity of Demand 105

Lesson 5 Price Elasticity of Supply 121

Lesson 6 Other Elasticities 127

Lesson 7 Price Floors and Ceilings 133

Lesson 8 Government Use of Taxes and Subsidies 139

Lesson 9 International Trade and the Effects on Markets 151

Supplemental Supply and Demand Graph Practice 157
Activities

Unit 2 Multiple-Choice Sample Questions 162

Unit 3 **Production, Cost, and Profit**

Unit Overview 171

Lesson 1 The Production Function 175

Lesson 2 Short-Run Production Costs 189

Lesson 3 Long-Run Production Costs 207

Lesson 4 Revenue and Profit 217

Lesson 5 Profit Maximization Rules 227

Lesson 6 Decisions to Enter, Produce, and Exit a Market 235

Unit 3 Multiple-Choice Sample Questions 242

TABLE OF CONTENTS

Unit 4 **Market Structures**

Unit Overview	251
Lesson 1	Introduction to Market Structures 255
Lesson 2	Perfect Competition in the Short Run and Long Run 259
Lesson 3	Monopoly 299
Lesson 4	Price Discrimination 323
Lesson 5	Monopolistic Competition 333
Lesson 6	Oligopoly 341
Lesson 7	Game Theory 345
Unit 4	Multiple-Choice Sample Questions 354

Unit 5 **Factor Markets**

Unit Overview	365
Lesson 1	How Resource Prices Are Determined 367
Lesson 2	The Optimal Combination of Resources 385
Lesson 3	Profit-Maximizing Behavior in Perfectly Competitive Labor Markets 393
Lesson 4	Monopsonistic Markets 405
Lesson 5	Competition vs. Monopsony in Labor Markets 411
Unit 5	Multiple-Choice Sample Questions 425

Unit 6 **Market Failure and The Role of Government**

Unit Overview	433
Lesson 1	Socially Efficient and Inefficient Market Outcomes 435
Lesson 2	Externalities 447
Lesson 3	Public Goods vs. Private Goods 459
Lesson 4	The Effects of Government Policies 463
Lesson 5	Inequality and Taxation 471
Unit 6	Multiple-Choice Sample Questions 480

INTRODUCTION

AP Microeconomics is designed to help you teach Advanced Placement (AP) Microeconomics courses and prepare your students for the AP Microeconomics Exam. The AP program offers two separate examinations in economics: one in microeconomics and one in macroeconomics. Each AP exam is intended for qualified students who wish to complete studies in secondary school that are equivalent to a one-semester college introductory course. The AP Microeconomics Exam is 2 hours and 10 minutes long and consists of a 70-minute multiple choice section and a 60-minute free-response section. The free-response section begins with a mandatory 10-minute reading period. The multiple-choice section accounts for approximately two-thirds of the student's exam grade and the free-response section for the remaining one-third.

Using Advanced Placement Microeconomics

AP Microeconomics consists of the Student Workbook and the Teacher Guide. Each unit in the Student Workbook begins with a key ideas section. The activities allow students to practice applying economic concepts. It is best for each student to have his or her own Student Workbook.

The Teacher Guide provides unit overviews, lesson plans, objectives, Teacher Alerts, Bell Ringer activities to jump-start each class, visuals, answers to the student activities, and multiple-choice test questions. The procedures in the lessons include instructional activities that are not in the Student Workbook. The Teacher Guide is designed to provide activities and lessons that, coupled with the AP Course and Exam Description, teachers can use to design an AP Microeconomics course that best meets the needs of their students.

AP Microeconomics is designed to be used with an AP-level economics textbook. The textbook provides the basic content, and the lessons and activities in AP Microeconomics provide practice, application of the content, and review for the AP Microeconomics Exam.

In addition to AP Microeconomics and an AP-level textbook, a variety of different resources for teaching AP Microeconomics are available online, including lesson plans, in-class activities, classroom experiments, videos, and supplemental readings. The Council for Economic Education provides a number of additional resources on <https://www.econedlink.org/> as well as print publications through the EconEdLink store. You can also find a searchable database of resources for teaching AP Microeconomics on the College Board website, <https://apcentral.collegeboard.org/>

The New and Improved Advanced Placement Microeconomics

The 5th edition of *AP Microeconomics* has been significantly updated. Every lesson held over from the 4th edition has been revised and new lessons have been added. The content has been updated to reflect the 2022 AP Microeconomics Course and Exam Description and all activities have been adapted to reflect the understanding of economic principles that students are expected to demonstrate on the AP Microeconomics Exam. We believe it is the most complete and comprehensive supplementary package available for teaching AP Microeconomics.

The major changes in the fifth edition are outlined below:

- Activities are now included after each lesson, instead of being added to the back of the curriculum.
- Content is reorganized using the 2022 AP Course and Exam Description.
- Lessons have been broken down into shorter, easily managed sections that include more visuals.
- A new Supply and Demand unit was created to better organize the lessons surrounding these crucial microeconomic concepts and supplemental activities have been added to increase student graphing practice.
- Bell Ringers have been updated to provide thought-provoking student-friendly openings for each lesson.
- Multiple Choice Questions have been removed from the Student Workbook so teachers can use them for quizzes and tests without student prior knowledge.

INTRODUCTION

- New lessons have been added in response to changes in the CED content
 - International Trade and the Effects on Supply and Demand.
 - Supplemental activities for Graphing Supply and Demand
 - Decisions to Enter, Produce, and Exit a Market
 - Socially Efficient and Inefficient Market Outcomes

Top 10 Keys to Teaching an Effective AP Microeconomics Course

Designing and teaching an AP Microeconomics course is challenging. The course requires teaching college-level material to high school students. Here are a few tips from veteran teachers that will help you be successful.

1. The Course Exam Description and AP Classroom are Your Best Friends

The CED framework provides a clear and detailed description of the course requirements necessary for student success. It details the four skill categories: defining principles and models, interpreting economic outcomes, manipulation of data to determine the outcome of specific situations, and being able to create economic situations using graphs and visuals - and the four big ideas: scarcity and markets; costs, benefits, and marginal analysis; production choices and behavior; and market inefficiency and public policy - that should be the basis of your curriculum.

The AP Classroom online platform provides a variety of resources and tools to support teachers and students. These include unit guides, personal progress checks and a progress dashboard that provides feedback to teachers and students on areas that need more focus, and an AP question bank where teachers can create customized tests that can be assigned online or on paper.

2. Get Teacher Training

The College Board offers several one-day workshops that provide background for AP Microeconomics courses. These workshops focus on the content covered and an analysis of past multiple-choice and free-response questions. The workshop leader, who is often an AP reader, will provide valuable information to improve student performance. It also helps to attend longer summer workshops that focus on the content in AP Microeconomics in more detail. These workshops cover the content more comprehensively and demonstrate activities. CEE offers online professional development through EconEdLink.org. State Councils on Economic Education also offer workshops for AP Economics teachers. Some of these affiliates of the Council for Economic Education can also provide advice to individual teachers. To locate the state council or university center nearest you, log on to the CEE website at <https://www.councilforeconed.org/programs/for-teachers/state-affiliates/>

3. Use the Best Textbook You Can Get

If you are involved in choosing the textbook for your course, look for a book that matches the AP course content. Especially consider the reading level and readability of the book. If you have the option, also look for a textbook that is compatible with your teaching style. Whichever textbook you use, be sure to ask about ancillary materials such as student activities, teacher's manual, study guide, or test bank. There are reviews of textbooks and other instructional materials on the College Board website.

4. Organize the Course in Advance

The unit plans and lesson plans in this book are based on seventy-five 45-minute class periods each semester. However, every school schedule is different and disruptions always interfere with even the best of plans. So, you will need to adapt the plans provided here to meet the needs of your students and the requirements of your school. Make sure you are aware of the exam date and be careful to complete the entire syllabus despite both expected and unexpected disruptions. Also, be sure to allow for plenty of exam review time.

INTRODUCTION

5. Assess Often

Students need lots of practice and frequent assessments to make sure they have mastered the material. Brief but frequent multiple-choice quizzes help students get used to the exam format. Unit tests should have AP-style multiple-choice and free-response questions. Use released AP exam questions, and grade (and have students grade) answers using the rubrics provided by the College Board. Students benefit from learning to answer free-response questions. What is required for students to learn economics and succeed on the AP Microeconomics Exam is very different from what is required in other social science disciplines. Familiarity with past AP questions is a key to student success.

6. Teach an Economic Way of Thinking

Content is very important in AP Economics, but a quality course goes beyond teaching a list of concepts. Economics is a unique way of thinking that helps students develop decision-making skills. The goal of an introductory economics course is to help students develop the economic way of thinking. Even if students don't remember a specific concept covered on the exam, they will be able to use the techniques of thinking they have learned to draw correct conclusions. A good resource of ready-to-use lessons that reinforce the economic way of thinking is *Capstone: Exemplary Lessons for High School Economics* (New York: Council for Economic Education, 2003).

7. Use Active Learning

An AP Microeconomics class will not be effective if the focus is on memorizing definitions, information, and rules. While the lecture-discussion method will be required for initial presentation of course content, economics will be more relevant and stimulating if students are actively involved in the lessons. They will also learn the content at the required, deeper level.

The Council for Economic Education and the companion website on EconEdLink.org are excellent sources for active-learning activities that can help your students understand concepts critical to their performing well on an AP Economics exam.

8. Practice Makes Perfect

The AP Microeconomics Student Workbook provides students with the practice they will need to be successful on the AP Microeconomics Exam. The goal is not to cover every possible situation but to develop economic reasoning so that students can apply what they have learned to any example they may be given.

9. Graph Early and Often

The students must be able to perform graphical analysis to do well on the AP Microeconomics Exam. Important graphs in microeconomics include production possibilities; demand and supply in both product and factor markets; productivity, cost, revenue, and profit functions of a firm; and externalities.

It is essential for students to understand that they are applying an economic model, not memorizing graphs. Students need to know that graphs must be clearly and correctly labeled to receive credit on AP Economics exams. When you provide feedback on students' graphs, always point out labeling errors and omissions.

10. Emphasize Historically Weak Areas

Each year the AP Microeconomics chief reader identifies areas in which students have done poorly. Because these areas will be covered again in future tests, it pays to review the chief reader's notes. These are available on the College Board's AP Central website for the Microeconomics course. Use these notes to design your course and prepare your students for their AP Microeconomics Exam.