

CHINO VALLEY UNIFIED SCHOOL DISTRICT
INSTRUCTIONAL GUIDE
ECONOMICS ADVANCED PLACEMENT
(MICROECONOMICS and MACROECONOMICS)

Course Number	5307
Department	Social Science
Prerequisite	Teacher recommendation
Length of Course	One (1) semester each
Grade Level	12
Credit	5 units per semester/10 total units - economics
Repeatable	Not repeatable for credit
UC.CSU	Meets "g" elective requirement
Board Approved	November 6, 2008

Description of Course - This is an advanced Economics course at the college level. It is designed for the student who is working above grade level and is equivalent to an introductory college course in economics. This course prepares students to gain college credit through the Advanced Placement Exam. Course content is dictated by College Board's Advanced Placement course requirements and by District and state standards and includes both macroeconomics and microeconomics. The material included in the course descriptions and in the two examinations has been selected by economists who serve as members of the AP Development Committee in Economics. In establishing the courses and examinations, the Committee surveyed the economics departments of the 200 institutions receiving the most AP grades in economics. Using the information obtained about the content of typical introductory college courses, the Committee developed the course outline and had the multiple-choice questions covering the outline pre-tested on college students enrolled in the appropriate economics courses. The AP course descriptions and examinations are thus representative of college courses and are, therefore, considered appropriate for the measurement of skills and knowledge in the fields of introductory microeconomics and macroeconomics.

The purpose of an AP course in Microeconomics is to give students a thorough understanding of the principles of economics that apply to the functions of individual decision makers, both consumers and producers, within the larger economic system. It places primary emphasis on the nature and functions of product markets, and includes the study of factor markets and of the role of government in promoting greater efficiency and equity in the economy. The following topics and aspects may be explored:

1. Basic economic concepts
2. The nature and functions of product markets
3. Factor markets
4. Efficiency, equity, and the role of government

The purpose of an AP course in Macroeconomics is to give students a thorough understanding of the principles of economics that apply to an economic system as a whole. Such a course places particular emphasis on the study of national income and price determination, and also develops students' familiarity with economic performance measures, economic growth, and international economics. The following are topics and aspects that may be explored:

1. Basic economic concepts
2. Measurement of economic performance
3. National income and price determination
4. Economic growth
5. International finance, exchange rates, and balance of payments

Student Selection - The AP Program offers two separate examinations in economics: one in microeconomics and one in macroeconomics. Each examination is intended for qualified students who wish to complete studies in secondary school equivalent to a one-semester college introductory course. Each examination presumes at least one semester of college level preparation. Students may take one or both examinations in a given year for a single fee. A separate grade is reported for each. Admission to an AP course should depend on the student interest in the subject as well as on such formal credentials as an outstanding record of academic performance. Many highly motivated students with less-than-outstanding records have successfully completed AP courses and have obtained college credit, advanced placement, or both, through an AP Examination.

Microeconomics (1 Semester)

Standard 1 – Students understand basic economic concepts.

- 1.1 Objective: Analyze scarcity, choice, and opportunity cost.
- 1.2 Objective: Analyze the production possibilities curve.
- 1.3 Objective: Analyze comparative advantage, absolute advantage, specialization, and trade.
- 1.4 Objective: Analyze economic systems.
- 1.5 Objective: Analyze property rights and the role of incentives.
- 1.6 Objective: Analyze marginal analysis.

Standard 2 – Students understand the nature and functions of product markets.

2.1 Objective: Analyze supply and demand.

2.1.1 Performance Indicator: Students will be able to demonstrate an understanding of market equilibrium.

2.1.2 Performance Indicator: Students will be able to demonstrate an understanding of the determinants of supply and demand.

2.1.3 Performance Indicator: Students will be able to demonstrate an understanding of price and quantity controls.

2.1.4 Performance Indicator: Students will be able to demonstrate an understanding of elasticity, including price, income, and cross-price elasticities of demand, and price elasticity of supply.

2.1.5 Performance Indicator: Students will be able to demonstrate an understanding of consumer surplus, producer surplus, and market efficiency.

2.1.6 Performance Indicator: Students will be able to demonstrate an understanding of tax incidence and deadweight loss.

2.2 Objective: Analyze the theory of consumer choice.

2.2.1 Performance Indicator: Students will be able to demonstrate an understanding of total utility and marginal utility.

2.2.2 Performance Indicator: Students will be able to demonstrate an understanding of utility maximization: equalizing marginal utility per dollar.

2.2.3 Performance Indicator: Students will be able to demonstrate an understanding of individual and market demand curves.

2.2.4 Performance Indicator: Students will be able to demonstrate an understanding of income and substitution effects.

2.3 Objective: Analyze production and costs.

2.3.1 Performance Indicator: Students will be able to demonstrate an understanding of production functions: short and long term.

2.3.2 Performance Indicator: Students will be able to demonstrate an understanding of marginal product and diminishing returns.

2.3.3 Performance Indicator: Students will be able to demonstrate an understanding of short-run costs.

- 2.3.4 Performance Indicator: Students will be able to demonstrate an understanding of long-run costs and economics of scale.
- 2.3.5 Performance Indicator: Students will be able to demonstrate an understanding of cost minimizing input combination.
- 2.4 Objective: Analyze firm behavior and market structure.
 - 2.4.1 Performance Indicator: Students will be able to demonstrate an understanding of profit: accounting versus economic profits, normal profits, and profit maximization: $MR=MC$ rule.
 - 2.4.2 Performance Indicator: Students will be able to demonstrate an understanding of perfect competition: profit maximizing, short-run supply and shutdown decision, behavior of firms and markets in the short run and long run, and efficiency and perfect competition.
 - 2.4.3 Performance Indicator: Students will be able to demonstrate an understanding of monopoly: sources of market power, profit maximization, the inefficiency of a monopoly, price discrimination, and natural monopoly.
 - 2.4.4 Performance Indicator: Students will be able to demonstrate an understanding of oligopoly: interdependence, collusion and cartels, and game theory and strategic behavior.
 - 2.4.5 Performance Indicator: Students will be able to demonstrate an understanding of monopolistic competition: product differentiation and the role of advertising, profit maximization, short-run and long-run equilibrium, and excess capacity and inefficiency.

Standard 3 – Students understand factor markets.

- 3.1 Objective: Analyze derived factor demand.
- 3.2 Objective: Analyze marginal revenue product.
- 3.3 Objective: Analyze the labor market, and firms' hiring policies.
- 3.4 Objective: Analyze the market distribution of income.

Standard 4 – Students understand market failure and the role of government.

- 4.1 Objective: Analyze externalities.

- 4.1.1 Performance Indicator: Students will be able to demonstrate an understanding of marginal social benefit and marginal social cost.
- 4.1.2 Performance Indicator: Students will be able to demonstrate an understanding of positive externalities.
- 4.1.3 Performance Indicator: Students will be able to demonstrate an understanding of negative externalities.
- 4.1.4 Performance Indicator: Students will be able to demonstrate an understanding of remedies.
- 4.2 Objective: Analyze public goods.
 - 4.2.1 Performance Indicator: Students will be able to demonstrate an understanding of public versus private goods.
 - 4.2.2 Performance Indicator: Students will be able to demonstrate an understanding of the provision of public goods.
- 4.3 Objective: Analyze the public policy to promote competition.
 - 4.3.1 Performance Indicator: Students will be able to demonstrate an understanding of antitrust policies.
 - 4.3.2 Performance Indicator: Students will be able to demonstrate an understanding of regulations.
- 4.4 Objective: Analyze income distribution.
 - 4.4.1 Performance Indicator: Students will be able to demonstrate an understanding of equity.
 - 4.4.2 Performance Indicator: Students will be able to demonstrate an understanding of the sources of income inequality.

Macroeconomics (1 Semester)

Standard 1 – Students understand basic economic concepts.

- 1.1 Objective: Analyze scarcity, choice, and opportunity costs.
- 1.2 Objective: Analyze the production possibilities curve.
- 1.3 Objective: Analyze comparative advantage, absolute advantage, specialization and exchange.
- 1.4 Objective: Analyze demand, supply, and market equilibrium.
- 1.5 Objective: Analyze macroeconomic issues, such as business cycles, unemployment, inflation, and growth.

Standard 2 – Students understand the measurements of economic performance.

- 2.1 Objective: Analyze the national income accounts.
 - 2.1.1 Performance Indicator: Students will be able to demonstrate an understanding of circular flow.
 - 2.1.2 Performance Indicator: Students will be able to demonstrate an understanding of gross domestic product.
 - 2.1.3 Performance Indicator: Students will be able to demonstrate an understanding of the components of gross domestic product.
 - 2.1.4 Performance Indicator: Students will be able to demonstrate an understanding of real versus nominal gross domestic product.
- 2.2 Objective: Analyze inflation measurement and adjustment.
 - 2.2.1 Performance Indicator: Students will be able to demonstrate an understanding of price indices.
 - 2.2.2 Performance Indicator: Students will be able to demonstrate an understanding of nominal and real values.
 - 2.2.3 Performance Indicator: Students will be able to demonstrate an understanding of the costs of inflation.
- 2.3 Objective: Analyze unemployment.

- 2.3.1 Performance Indicator: Students will be able to demonstrate an understanding of the definition of unemployment and how it is measured.
- 2.3.2 Performance Indicator: Students will be able to demonstrate an understanding of the types of unemployment.
- 2.3.3 Performance Indicator: Students will be able to demonstrate an understanding of the natural rate of unemployment.

Standard 3 – Students understand the national income and price determination.

3.1 Objective: Analyze aggregate demand.

- 3.1.1 Performance Indicator: Students will be able to demonstrate an understanding of the determinants of aggregate demand.
- 3.1.2 Performance Indicator: Students will be able to demonstrate an understanding of multiplier and crowding-out effects.

3.2 Objective: Analyze aggregate supply.

- 3.2.1 Performance Indicator: Students will be able to demonstrate an understanding of short-run and long-run analyses.
- 3.2.2 Performance Indicator: Students will be able to demonstrate an understanding of sticky versus flexible wages and prices.
- 3.2.3 Performance Indicator: Students will be able to demonstrate an understanding of the determinants of aggregate supply.

3.3 Objective: Analyze macroeconomic equilibrium.

- 3.3.1 Performance Indicator: Students will be able to demonstrate an understanding of real output and price level.
- 3.3.2 Performance Indicator: Students will be able to demonstrate an understanding of the short and long run.
- 3.3.3 Performance Indicator: Students will be able to demonstrate an understanding of actual versus full-employment output.
- 3.3.4 Performance Indicator: Students will be able to demonstrate an understanding of economic fluctuations.

Standard 4 – Students understand the financial sector.

4.1 Objective: Analyze money, banking, and financial markets.

- 4.1.1 Performance Indicator: Students will be able to demonstrate an understanding of the definitions of financial assets, including money, stocks, and bonds.
- 4.1.2 Performance Indicator: Students will be able to demonstrate an understanding of the time value of money, including present and future value.
- 4.1.3 Performance Indicator: Students will be able to demonstrate an understanding of the measures of money supply.
- 4.1.4 Performance Indicator: Students will be able to demonstrate an understanding of banks and the creation of money.
- 4.1.5 Performance Indicator: Students will be able to demonstrate an understanding of money demand.
- 4.1.6 Performance Indicator: Students will be able to demonstrate an understanding of the money market.
- 4.1.7 Performance Indicator: Students will be able to demonstrate an understanding of the loanable funds market.
- 4.2 Objective: Analyze the central bank and its control of the money supply.
 - 4.2.1 Performance Indicator: Students will be able to demonstrate an understanding of the tools of the central bank policy.
 - 4.2.2 Performance Indicator: Students will be able to demonstrate an understanding of quantity theory of money.
 - 4.2.3 Performance Indicator: Students will be able to demonstrate an understanding of real versus nominal interest rates.

Standard 5 – Students understand inflation, unemployment and stabilizing policies.

- 5.1 Objective: Analyze fiscal and monetary policies.
 - 5.1.1 Performance Indicator: Students will be able to demonstrate an understanding of the demand-side effects.
 - 5.1.2 Performance Indicator: Students will be able to demonstrate an understanding of the supply-side effects.
 - 5.1.3 Performance Indicator: Students will be able to demonstrate an understanding of policy mix.

5.1.4 Performance Indicator: Students will be able to demonstrate an understanding of government deficits and debt.

5.2 Objective: Analyze inflation and unemployment.

5.2.1 Performance Indicator: Students will be able to demonstrate an understanding of the types of inflation, including demand-pull inflation and cost-pull inflation.

5.2.2 Performance Indicator: Students will be able to demonstrate an understanding of the Phillips Curve, including short and long run.

5.2.3 Performance Indicator: Students will be able to demonstrate a understanding of the role of expectations.

Standard 6 – Students understand economic growth and productivity.

6.1 Objective: Analyze investment in human capital.

6.2 Objective: Analyze investment in physical capital.

6.3 Objective: Analyze research and development, and technological progress.

6.4 Objective: Analyze growth policy.

Standard 7 – Students understand international trade and finance.

7.1 Objective: Analyze balance of payment accounts.

7.1.1 Performance Indicator: Students will be able to demonstrate an understanding of balance of trade.

7.1.2 Performance Indicator: Students will be able to demonstrate an understanding of current account.

7.1.3 Performance Indicator: Students will be able to demonstrate an understanding of capital account.

7.2 Objective: Analyze the foreign exchange market.

7.2.1 Performance Indicator: Students will be able to demonstrate an understanding of the demand for and supply of foreign exchange.

7.2.2 Performance Indicator: Students will be able to demonstrate an understanding of the exchange rate determination.

7.2.3 Performance Indicator: Students will be able to demonstrate an understanding of currency appreciation and depreciation.

7.3 Objective: Analyze net exports and capital flow.

7.4 Objective: Analyze links to financial and goods markets.