



AP MICROECONOMICS UNIT I FUNDAMENTALS

OUTLINE	UNIT OBJECTIVES	READINGS FROM KRUGMAN	GRAPHS
<ol style="list-style-type: none"> <li>1. DEFINITION</li> <li>2. FUNDAMENTAL PRINCIPLES                             <ol style="list-style-type: none"> <li>a. SCARCITY = CHOICE                                     <ol style="list-style-type: none"> <li>i. TINSTAFL</li> </ol> </li> <li>b. OPPORTUNITY COST</li> <li>c. PROFIT MOTIVE                                     <ol style="list-style-type: none"> <li>i. COST-BENEFIT ANALYSIS</li> <li>ii. SUBJECTIVE/UTILITY</li> </ol> </li> <li>d. RATIONAL BEHAVIOR                                     <ol style="list-style-type: none"> <li>i. INVESTMENTS</li> <li>ii. IMPERFECT INFORMATION = RISK</li> </ol> </li> <li>e. MARGINAL ANALYSIS                                     <ol style="list-style-type: none"> <li>i. INCENTIVES MATTER</li> </ol> </li> <li>f. TRADE CREATES WEALTH                                     <ol style="list-style-type: none"> <li>i. SPECIALIZATION</li> </ol> </li> </ol> </li> <li>3. ECONOMIC THEORY                             <ol style="list-style-type: none"> <li>a. POSITIVE/NORMATIVE</li> <li>b. PITFALLS                                     <ol style="list-style-type: none"> <li>i. BIAS</li> <li>ii. POST HOC</li> <li>iii. COMPOSITION</li> <li>iv. CAUSATION</li> </ol> </li> </ol> </li> <li>4. PRODUCTION POSSIBILITIES                             <ol style="list-style-type: none"> <li>a. MAXIMUM EFFICIENCY                                     <ol style="list-style-type: none"> <li>i. FULL EMPLOYMENT</li> <li>ii. FULL PRODUCTION</li> </ol> </li> <li>b. GROWTH                                     <ol style="list-style-type: none"> <li>i. TECHNOLOGY</li> <li>ii. RESOURCES</li> <li>iii. TRADE</li> </ol> </li> </ol> </li> <li>5. MODELS                             <ol style="list-style-type: none"> <li>a. X AND Y AXIS</li> <li>b. DIRECT AND INVERSE RELATIONSHIPS</li> <li>c. SLOPE</li> </ol> </li> </ol>	<ul style="list-style-type: none"> <li>-What is scarcity?</li> <li>-Why does scarcity necessitate choice?</li> <li>-What are the 6 basic principles underlying the economic way of thinking?</li> <li>-What is opportunity cost?</li> <li>-Why do people trade?</li> <li>-Why is economics a social science?</li> <li>-What is the difference between positive and normative economics?</li> <li>-What are the 4 fallacies of economic theory?</li> <li>-What are the 6 fundamental economics goals?</li> <li>-What are the 4 basic economic questions?</li> <li>-What are the 4 main resources for production?</li> <li>-What are the three major methods of economic organization and how do they differ?</li> <li>-How does private ownership affect the use of resources?</li> <li>-What are the limits of production?</li> <li>-What are the gains to both society and individuals from trade and exchange?</li> </ul>	<p><u>Module 1, pp 2 - 8</u> Limits and Choices</p> <p><u>Module 3, pp. 16-21</u> The Production Possibilities Frontier</p> <p><u>Section 1 Appendix, pp. 31-37</u> Tables and Graphs</p> <p><b><u>SUPPLEMENTAL SOURCES</u></b></p> <p><i>Economic Reasoning: Three-Ten Combination Once to the Side</i></p> <p><b><u>MEDIA</u></b></p> <p>Economics USA #1</p> <p>Brewster's Millions</p> <p><b><u>EXERCISE</u></b></p> <p><b>Zoo Crew</b></p>	<p><b>Production Possibility Frontier (PPF)</b></p> <p>Product A Capital Goods</p> <p>Product B Consumer Goods</p> <p>Point A: High Capital Goods, Low Consumer Goods</p> <p>Point B: Intermediate Capital Goods, Intermediate Consumer Goods</p> <p>Point C: Low Capital Goods, High Consumer Goods</p> <p>Point X: Inefficient (inside the curve)</p> <p>Point Y: Unattainable (outside the curve)</p> <p>Arrow from B to C: Increasing costs</p>