



***The College Board Advanced Placement Program\****

***What Citizens Need to Know About Economics***  
***addresses The College Board Advance Placement Program for the microeconomics***  
***and macroeconomics component of the Economics Course Description.***



*This document refers to the summary outline of the Microeconomics, Macroeconomics Course Description*

[http://apcentral.collegeboard.com/repository/ap03\\_cd\\_economics\\_040\\_4316.pdf](http://apcentral.collegeboard.com/repository/ap03_cd_economics_040_4316.pdf)

*The roman numerals and letters correlate to the same sections of the summary outline.*

***AP\* Microeconomics***

***Content Area***

***I. A.***

- ***Chapter 1 defines the term economics as the study of the allocation of scarce resources. The term scarcity is defined and the nature of economic systems is discussed. Links to related articles and Web sites are available for further research.***

***I. B.***

- ***Chapter 2 includes definitions of opportunity costs and production possibilities. The relationship to scarcity is also discussed and a graphic provides an example of the production possibilities curve.***

***I. C.***

- ***Chapter 22 explores the basis for international trade. The law of comparative advantage is discussed and the term specialization is defined. Web links are available to major international trade associations, such as the North American Free Trade Agreement and the European Union.***

***I. D.***

- ***Chapter 2 explains how the function of any economic system is to determine what, how, and for whom to produce goods and services.***  
- ***Chapter 3 identifies the way different economic systems address those questions. Traditional, command, market and mixed economies are defined and a comparison of capitalism, socialism and communism are provided. Web links are included to biographies of important economic philosophers, such as Adam Smith and Karl Marx, and the complete texts of their most influential works.***

## *II. A.*

- *Chapter 8 defines the laws of supply and demand and explains how they determine price and quantity. The elasticity of demand is also explored. Graphics are provided to help illustrate these concepts. The concept of game theory is also discussed and a Web link provides a biography of John Forbes Nash, Jr., who won the Nobel Prize in Economics for his work.*
- *Chapter 21 explains how the government manipulates supply and demand to protect American agriculture. The concepts of price floors and ceilings are discussed along with other manipulations of supply and demand, such as parity and price supports.*

## *II. B.*

- *Chapter 4 explores the role of consumers in an economic system. The impact of consumer choice is discussed. Concepts such as diminishing utility and caveat emptor are defined. Web links are available to consumer protection Web sites maintained by the government and consumer watchdog groups.*
- *Chapter 8 explains how consumers influence the demand curve. Concepts such as elasticity and the substitution effect are described. Graphics are included to help illustrate the supply and demand curves.*

## *II. C.*

- *Chapter 7 explores the role of businesses in an economic system. The relationship between costs and revenues are discussed, as is the relationship between diminishing returns and marginal costs. A graphic is provided to help illustrate the law of diminishing returns.*
- *Chapter 15 examines the costs of economic growth on a business through a description of the accelerator effect, which explains how businesses must invest in more equipment as demand for a product or service increases. Links to related articles and Web sites are available for further research.*
- *Chapter 21 defines the concept of economies of scale in the context of production costs for American farms.*

## *II. D-E.*

- *Chapter 9 explores competition in the market place. Key concepts and terms, such as perfect competition, monopoly and oligopoly, are defined. Government policy toward imperfect competition is discussed and links are available to the complete texts of influential governmental legislation, such as the Sherman Antitrust Act and the Robinson-Patman Act. Current examples are also provided, including the antitrust case against Microsoft.*

### **III. A-B.**

- *Chapter 2 identifies the factors of production as being land, labor, capital and management. The interaction of these factors to provide goods and services is described. Web links provide current statistics on the U.S. labor force and natural resources (land).*
- *Chapter 10 provides a more detailed examination of the role of labor in a market economy. Factors that determine the value of labor, such as education and other skills, are discussed. The role of labor unions and the impact of minimum wage are also mentioned. Web links are provided for current employment statistics and links are also available to major labor organizations such as the AFL-CIO and the Teamsters.*

### **IV. A-C.**

- *Chapter 12 explores the role of government in an economic system. Concepts such as governmental regulation and externalities are described. Web links are available to major governmental regulatory agencies such as the Environmental Protection Agency and the Food and Drug Administration.*
- *Chapter 13 explains the taxation powers of government. The concept of a fair tax is discussed and the impact of tax policies and transfer payments are described. Links to related articles and Web sites include varying points of view on taxation policies and concepts such as proportional, regressive and progressive taxation are defined.*
- *Chapter 18 examines the distribution of income in the United States. The equity of income distribution and the impact on women and minorities is discussed. Web links provide current statistics on the distribution of income in the United States.*
- *Chapter 20 identifies transfer payments and other federal subsidies that the government oversees to provide a more equitable distribution of income. A history of federal subsidies is highlighted and Web links are available to governmental organizations that oversee these programs, such as the Social Security Administration.*

## **AP\* Macroeconomics**

### **Content Area**

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**I.B.**

- *Chapter 2 includes definitions of opportunity costs and production possibilities. The relationship to scarcity is also discussed and a graphic provides an example of the production possibilities curve.*

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- *Chapter 22 explores the basis for international trade. The law of comparative advantage is discussed and the term specialization is defined. Web links are available to major international trade associations, such as the North American Free Trade Agreement and the European Union.*

**I. D.**

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- *Chapter 3 identifies the way different economic systems address those questions. Traditional, command, market and mixed economies are defined and a comparison of capitalism, socialism and communism are provided. Included are Web links to biographies of important economic philosophers, such as Adam Smith and Karl Marx, and the complete texts of their most influential works.*

**I. E.**

- *Chapter 8 defines the laws of supply and demand and explains how they determine price and quantity. The elasticity of demand is also explored. Graphics are provided to help illustrate these concepts.*

**II. A-C.**

- *Chapter 1 identifies major economic indicators that the government maintains to determine the current state of the economy. The change from gross national product to gross domestic product is discussed and graphics are available for the major economic indicators. Web links are available to governmental departments that maintain economic statistics, such as the White House's Economics Statistics Briefing Room and the Commerce Department, for current information on the state of the economy.*
- *Chapter 5 examines the impact of inflation on the cost of living and provides more information on the consumer price index (CPI). Web links are provided for current CPI statistics.*
- *Chapter 14 provides more detail on gross domestic product (GDP). How GDP is calculated and the accuracy of the statistics are discussed. Other statistics, such as national income and net national product are also discussed and their relationships to GDP are identified. Web links are provided to current statistics from the Bureau of Economic Analysis.*

- *Chapter 19 explores the impact of unemployment. The way the government calculates the unemployment rate is discussed. Concepts, such as structural unemployment, displaced workers, disadvantaged workers and discouraged workers, are defined. Web links provide current unemployment statistics from the U.S. government.*

### **III. A-B.**

- *Chapter 6 explains the impact of the national debt on individuals. Links to related articles and Web sites provide further information on this topic.*
- *Chapter 9 explains the concept of sticky prices and how they are influenced by oligopolistic practices.*
- *Chapter 14 explains the circular flow of money and production and the circular flow of national income principals. Graphics are provided to help illustrate these concepts. Web links are available for current statistics on national income measurements.*
- *Chapter 15 defines aggregate demand and aggregate supply. The multiplier effect and the accelerator effect are also discussed in this chapter and graphics are included to help illustrate these concepts.*
- *Chapter 17 differentiates between fiscal and monetary policy. The debate between supply-side and Keynesian economics is also discussed. Links to related articles and Web sites provide current information on fiscal and monetary policy decisions.*

### **III. C.**

- *Chapter 10 explores issues related to money and banking. A history of money is provided and a definition of the money supply is included. The role and organization of the Federal Reserve System is also discussed and Web links are available to all branches of the Federal Reserve.*
- *Chapter 17 identifies monetary tools that the Federal Reserve System uses to maintain a stable money supply and a stable economy. Links to related articles and Web sites provide current information on monetary policy decisions.*

### **III. D.**

- *Chapter 12 describes the government's budget-making process. The impact of government budget policy decisions is discussed and the concept of government waste is explored. Web links are available to major governmental organizations, such as the Office of Management and Budget and the Congressional Budget Office.*
- *Chapter 17 describes the interaction of fiscal and monetary policies. Deficit spending is debated and the impact of government budget policies on the economy and individuals are discussed. Links to related articles and Web sites includes information on current monetary and fiscal policy decisions.*

### III. E.

- *Chapter 5 describes the impact of inflation on individuals. Graphics are included to help illustrate this concept.*
- *Chapter 8 explores the concept of supply shocks and a graphic is included to help illustrate this concept.*
- *Chapter 16 describes the business cycle and the impact of inflation is discussed. Links to related articles and Web sites are included for more information.*
- *Chapter 17 explores the trade-offs between inflation and unemployment and a graphic is provided to help illustrate the relationship between inflation and unemployment. The debate between supply-side and Keynesian economics is also discussed and the long run versus short run impact of policies is explored.*
- *Chapter 19 examines the impact of unemployment on the economy. Web links are included for current unemployment statistics.*

### IV.

- *Chapter 15 explores issues associated with economic growth. The impact of economic growth on job creation is discussed and determinants of economic growth are emphasized. Problems of economic growth are also discussed. Links to related articles and Web sites are included for further research into these topics.*
- *Chapter 17 identifies the impacts of monetary and fiscal policy decisions on the growth of the U.S. economy. Links to related articles and Web sites include current information on U.S. monetary and fiscal policy decisions.*

### V. A-B.

- *Chapter 22 explores issues associated with international trade. A history of U.S. trade policy is provided and the debate between free trade and protectionism is discussed. The impact of trade policies on the domestic and international economies is also described. Links to related articles and Web sites include opposing viewpoints on free trade versus protectionism. Web links to major international trade organizations, such as the North American Free Trade Agreement and the European Union, are also included.*
- *Chapter 23 describes the interdependence of the global economy. The impacts of policy decisions on domestic and international markets are discussed. The U.S. decision in 1971 to abandon the gold standard and the 1997 Asian financial crisis are cited as examples. Concepts such as balance of payments and the exchange rate are defined. A Web link to a program that calculates current exchange rates for the U.S. dollar and other currencies is provided.*

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