A Correlation of

Foundations of Economics
Bade, Parkin

to the

Advanced Placement Microeconomics Topics
### AP ECONOMICS CORRELATION CHARTS

This chart correlates the Advanced Placement Microeconomics topics as outlined by The College Board with the corresponding chapters and section numbers in *Foundations of Economics, AP Edition*. Use this chart to help you quickly find a topic you want to study or review.

**AP Microeconomic Topics**

**I. Basic Economic Concepts**
- 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

**II. Nature and Functions of Product Markets**
- A. Supply and demand
  - 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 allocative efficiency
  - 6. Tax incidence and deadweight loss
- B. Theory of consumer choice
  - 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
- C. Production and costs
  - 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 and productive efficiency
- D. Firm behavior and market structure
  - 1. Profit
    - a. Accounting versus economic profits
    - b. Normal profit
    - c. Profit maximization: $MR = MC$ rule

**Textbook Chapters and Checkpoints**

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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
   Chapter 15

3. Monopoly
   a. Sources of market power
   b. Profit maximization
   c. Inefficiency of monopoly
   d. Price discrimination
   e. Natural monopoly
   Chapter 16

4. Oligopoly
   a. Interdependence, collusion, and cartels
   b. Game theory and strategic behavior
   c. Dominant strategy
   d. Nash equilibrium
   Chapter 18

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
   Chapter 17

III. Factor Markets
   A. Derived factor demand
   B. Marginal revenue product
   C. Hiring decisions in the markets for labor and capital
   D. Market distribution of income
   Chapters 19, 20

IV. Market Failure and the Role of Government
   A. Externalities
      1. Marginal social benefit and marginal social cost
      2. Positive externalities
      3. Negative externalities
      4. Remedies
      Chapters 10 and 11
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   B. Public goods
      1. Public versus private goods
      2. Provision of public goods
      11.2
   C. Public policy to promote competition
      1. Antitrust policy
      2. Regulation
      18.4
      16.5
   D. Income distribution
      1. Equity
      2. Sources and measures of income inequality
      Chapter 20
      20.3
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This chart correlates the Advanced Placement Macroeconomics topics as outlined by The College Board with the corresponding chapters and section numbers in *Foundations of Economics, AP® Edition*. Use this chart to help you quickly find a topic you want to study or review.

**AP Macroeconomic Topics**

**I. Basic Economic Concepts**
- A. Scarcity, choice, and opportunity costs
- B. Production possibilities curve
- C. Comparative advantage, specialization, and exchange
- D. Demand, supply, and market equilibrium
- E. Macroeconomic issues: business cycle, unemployment, inflation, and growth

**II. Measurement of Economic Performance**
- A. National income accounts
  1. Circular flow
  2. Gross domestic product
  3. Components of gross domestic product
  4. Real versus nominal gross domestic product
- B. Inflation measurement and adjustment
  1. Price indices
  2. Nominal and real values
  3. Costs of inflation
- C. Unemployment
  1. Definition and measurement
  2. Types of unemployment
  3. Natural rate of unemployment

**III. National Income and Price Determination**
- A. Aggregate demand
  1. Determinants of aggregate demand
  2. Multiplier and crowding-out effects
- B. Aggregate supply
  1. Short-run and long-run analyses
  2. Sticky versus flexible wages and prices
  3. Determinants of aggregate supply
- C. Macroeconomic equilibrium
  1. Real output and price level
  2. Short and long run
  3. Actual versus full-employment output
  4. Business cycle and economic fluctuations

**IV. Financial Sector**
- A. Money, banking, and financial markets
  1. Definition of financial assets: money, stocks, bonds
  2. Time value of money (present and future value)
  3. Measures of money supply
  4. Banks and creation of money

**Textbook Chapters and Checkpoints**

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- 27.4
V. Stabilization Policies
A. Fiscal and monetary policies
   1. Demand-side effects
   2. Supply-side effects
   3. Policy mix
   4. Government deficits and debt
   Chapters 29, 31, 32, 33

B. The Phillips curve
   1. Short-run and long-run Phillips curves
   2. Demand-pull versus cost-push inflation
   3. Role of expectations
   Chapter 31

VI. Economic Growth
A. Definition of economic growth
B. Determinants of economic growth
   1. Investment in human capital
   2. Investment in physical capital
   3. Research and development, and technological progress
   Chapter 25

VII. Open Economy: International Trade and Finance
A. Balance of payments accounts
   1. Balance of trade
   2. Current account
   3. Financial account (formerly known as capital account)
   Chapter 34

B. Foreign exchange market
   1. Demand for and supply of foreign exchange
   2. Exchange rate determination
   3. Currency appreciation and depreciation
   Chapter 34

C. Imports, exports, and financial capital flows
D. Relationships between international and domestic financial and goods markets

Upon publication, this text was correlated to the College Board’s Macroeconomics and Microeconomics Course Description dated Fall 2012. We continually monitor the College Board’s AP Course Description for updates to exam topics. For the most current AP Exam Topic correlation for this textbook, visit PearsonSchool.com/AdvancedCorrelations.