AP
ECONOMICS

Microeconomics · Semester 1 · 2026

Mr. Harris · Room K3A · Day 1, Tuesday 11 August

FIRST THINGS FIRST

Who am I?

1. Born/Raised in Tokyo, Japan (Attended the American School in Japan)
2. University in California. UC Berkeley graduate of 2009.
3. 2009-2010 - Consultant at PwC Tokyo/Shanghai
4. 2011-12-Bahrain, 2012-14-Honduras, 2014-2024-Korea, 2024-26 Saudi
5. Likes-Soccer, FIFA, economics/finance, potato salad, coffee
6. Dislikes-Oklahoma City Thunder, fermented beans, sandwiches,
7. Outside of school-MUN/Soccer/Business Club

WHERE WE START

Economics is not the study of money.

It is the study of choice.

You want more than exists. So does everyone else. So does every country.

That single problem, scarcity, is where every idea in this course begins.

By May you will be able to look at a price, a policy, or a decision and explain what it really costs and who really pays.

BY MAY YOU CAN ANSWER

Six questions

1. Why does beef noodle soup triple in price at the airport?

   elasticity

2. Why is there a 7-Eleven on almost every corner?

   market structure

3. Why does your money buy less bubble tea every year?

   inflation

4. Who decides the interest rate on your parents' mortgage?

   monetary policy

5. Why can nobody your age afford an apartment in Taipei?

   supply and demand

6. Should scalping a concert ticket be a crime?

   surplus and efficiency

WHAT WE COVER

Six units, seventeen weeks

1	Basic Economic Concepts	12-15% of the exam
2	Supply and Demand	20-25% of the exam
3	Cost and Perfect Competition	22-25% of the exam
4	Imperfect Competition	15-22% of the exam
5	Factor Markets	10-13% of the exam
6	Market Failure and Government	8-13% of the exam

BEFORE YOU LEAVE TODAY

Three things

1. ## Join AP Classroom (We will do Thursday)

   Join code is on the board. You need a College Board account. This is where official practice lives all year, including after this class ends in December.

2. ## Read the syllabus + Get going with SOME content

   All of it, including the policies. Especially the section headed The Gap Between December and May.

3. ## Install Bluebook (We will do Thursday)

   Free from bluebook.collegeboard.org. Deadline is end of September, but it takes ten minutes.

HOW YOU ARE GRADED

Two categories

80%

Unit tests, quizzes, and free-response checks

20%

Semester exam in December, run as a full AP mock

Homework is not graded. The reading and problem sets are still assigned, and the quizzes are built directly from them.

Skipping the practice does not cost you a homework grade. It costs you a quiz grade, and then a test grade.

MODULE 1.1

Scarcity and Choice

THE CORE IDEA

Scarce is not the same as rare

SCARCE

Wanted in greater quantity than is available.

RARE

There is not much of it. That alone is not enough.

A cassette tape is rare. Nobody wants one, so it is not scarce.

Clean water is common. Everyone wants it, so it is scarce.

Scarcity forces choice. Choice is what this whole course is about.

THE FOUR RESOURCES

Remember them as CELL

C	**Capital**	Machines, tools, buildings, an oven	*earns interest*
E	**Entrepreneurship**	Organizing the rest and taking the risk	*earns profit*
L	**Land**	Anything from nature: water, minerals, soil	*earns rent*
L	**Labor**	Human effort, physical and mental	*earns wages*

THE MISTAKE THAT COSTS THE MOST MARKS

Capital never means money.

IS capital

- A factory
- A delivery scooter
- An oven in a bakery

IS NOT capital

- A bank loan
- Shares of stock
- Cash in a till

If an answer choice sounds like money, it is almost certainly wrong.

THE IDEA THE WHOLE COURSE RUNS ON

Opportunity cost

The value of the next best alternative you give up when you choose.

1. **The NEXT BEST one, not all of them added up**

   Prefer reading to videos, and videos to music? The cost of reading is videos alone.

2. **It does not need to involve money**

   An hour at the park costs you the homework you did not do. Real cost, no payment.

3. **A cost you pay either way does not count**

   If two universities charge identical fees, those fees cannot help you compare them.

TWO DISTINCTIONS TO KEEP STRAIGHT

Which question is it?

MICRO vs MACRO

One market, one firm, one person = micro

All of them at once = macro

Price of rice = micro. Price level = macro.

POSITIVE vs NORMATIVE

Positive: how things are. Can be checked.

Normative: how things should be. A value judgment.

Should, ought, unfair = usually normative.

“Raising the tax will cut sales by 8 percent” sounds like an opinion. It is positive. It could be checked.

DAY 2

Thursday 13 August

A taste of the AP exam, then Economic Systems

BEFORE WE MOVE ON

Three from Tuesday

1. **Name the four resources.**

   CELL. And what does capital never mean?

2. **What is the opportunity cost of coming to school today?**

   The next best thing only. Not everything.

3. **Is this positive or normative?**

   “Rent in Taipei is too high.”

PART ONE

A taste of the AP exam

WHAT YOU ARE WORKING TOWARD

Tuesday 4 May 2027

SECTION I

60 multiple choice

70 minutes. Five options, not four.

On a device, in Bluebook.

Two thirds of your score.

SECTION II

3 free response

60 minutes, including 10 to read.

Handwritten, on paper.

One third of your score.

Same exam, two completely different skills.

THINGS THAT SURPRISE PEOPLE

Free response is not an essay

segment

It has parts

You answer (a), (b), (c). Label them. Graders look for them.

do_not_disturb_on

Padding earns nothing

Points go to specific required elements. Short and correct beats long and vague.

gavel

Command words matter

Identify wants a sentence.
Explain always needs a because.
Calculate wants the work.

YOUR TURN

Ten questions. Fifteen minutes.

Already did on Monday

AP-format questions on what we covered Tuesday.

Not graded, and not meant to be easy.

Work alone. The answer key is the last page of your handout. Do not open it yet.

Circle any question where you had to guess. Those are the ones worth talking about.

AND ONE MORE

One free-response question

A local paper mill produces paper in a perfectly competitive market. Its production process releases toxic wastewater into a nearby river, harming fishermen downstream.

Five parts. Five points. Twenty-five minutes on the real exam.

You cannot answer this yet. That is the point.

Every term in it will be yours by December. Look at it again then.

PART TWO • MODULE 1.2

Economic Systems

EVERY SOCIETY ANSWERS THESE

Three questions, no exceptions

1

What should be produced?

Rice or steel? Hospitals or highways?

2

How should it be produced?

Many workers and few machines, or the reverse?

3

Who gets what is produced?

By ability to pay? By need? By rank? This one starts the arguments.

FOUR ANSWERS

Who decides?

Traditional	Custom and inherited roles	*Stable, but slow to change*
Command	A central authority	*Fast to mobilize, poor at knowing what people want*
Market	Private owners, through prices	*Responsive, but unequal*
Mixed	Mostly markets, some government	*What every real country actually is*

THE EXAM TRAP

Pure market and pure command

do not exist.

They are theoretical extremes. Every actual country sits somewhere between them.

When a question describes a country with private firms and some government rules, the answer is mixed.

THE SENTENCE TO REMEMBER

People respond to incentives

Not always wisely. Not always as intended. But reliably enough to build a whole subject on.

Property rights are what make incentives work

Own a shop, and improving it makes you better off. So you improve it.

If nobody owns it, nobody gains from the effort, and it decays.

who wants to fish. Within a year the fish are gone. Why?

person_off

No Ownership

Nobody owns the fish, so nobody gains from leaving any behind.

trending_down

The Paradox

Everybody acting sensibly for themselves produces a result nobody wanted.

calendar_month

Coming Soon

This has a name and its own unit. We meet it again in December.

BEFORE FRIDAY

Two things

Read

Krugman module 1.3, The Production Possibilities Curve Model. This is the first graph of the course and it comes back in Unit 3 and again in Macro.

Bring

A straightedge. Free-response graphs are hand drawn and marked on accuracy of labels and intersections.