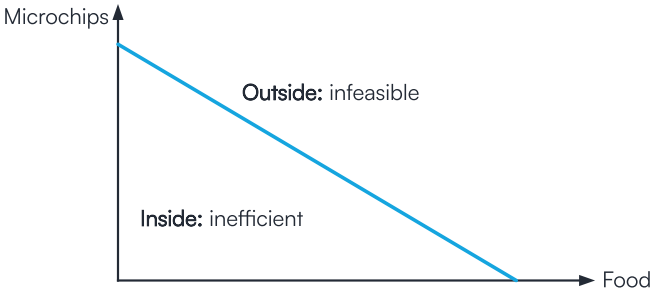
Achievable

AP MACROECONOMICS DUMP SHEET

Unit 1: Basic economic concepts

Scarcity and the PPC



- **Scarcity:** unlimited wants, limited resources
- **Opportunity cost (OC):** the next best alternative given up
- **On the curve:** productively efficient
- **Straight line:** constant OC. **Bowed out:** increasing OC
- **PPC shifts out:** more resources or better technology (economic growth)

Comparative advantage

- **Absolute advantage:** more output from the same resources
- **Comparative advantage:** the lowest OC. Specialize here

$$\text{OC of } X = \frac{\text{output of the other good}}{\text{output of } X}$$

Max output	OC of 1 food	OC of 1 chip
USA: 20 food or 100 chips	5 chips	0.2 food
Taiwan: 5 food or 50 chips	10 chips	0.1 food

- USA specializes in food, Taiwan in chips
- **Terms of trade** help both if between the two OCs: 5 to 10 chips per food

Demand and supply

- **Law of demand:** price ↑ → quantity demanded ↓
- **Law of supply:** price ↑ → quantity supplied ↑
- **The good's own price** = movement along a curve; any other factor shifts it
- **Demand shifters (TIMER):** Tastes, Income, Market size, Expected prices, Related goods
- **Supply shifters (TINGE):** Technology, Input prices, Number of producers, Government, Expectations
- Anything that lowers producer costs shifts supply right
- **Surplus:** price above equilibrium, quantity supplied > demanded, so the price falls
- **Shortage:** price below equilibrium, quantity demanded > supplied, so the price rises
- Size of either: the gap between the two quantities at that price

Shift	Price	Quantity
Demand right	↑	↑
Demand left	↓	↓
Supply right	↓	↑
Supply left	↑	↓

Shift	Price	Quantity
Both right	Unknown	↑
Both left	Unknown	↓
Supply right, demand left	↓	Unknown
Demand right, supply left	↑	Unknown

On the exam

- **Multiple choice:** 60 questions in 70 minutes, 66.65% of the score
- **Free response:** 3 questions in 60 minutes, 10 of them reading, 33.35%
- **Graphs:** 30-50% of free-response points. Label every axis and curve, and show the direction of each shift
- **Calculator:** four-function, on both sections