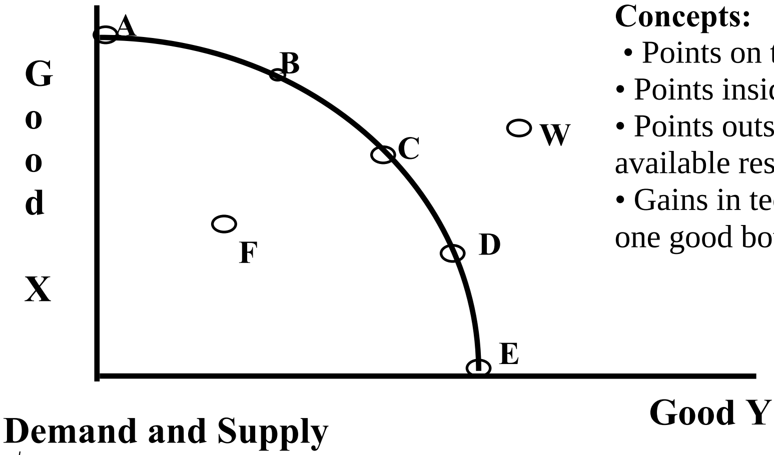
Essential graphs for AP Microeconomics

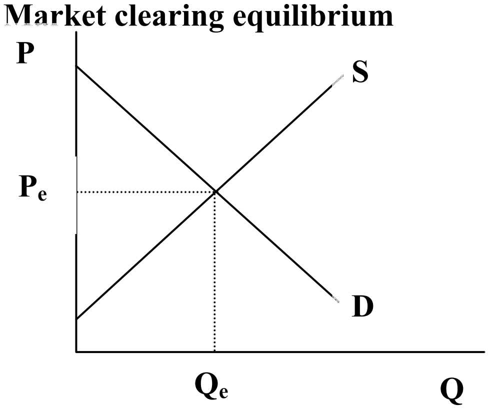
Production Possibilities Curve



Concepts:
• Points on the curve-efficient
• Points inside the curve-inefficient
• Points outside the curve-unattainable with available resources
• Gains in technology or resources favoring one good both not other.

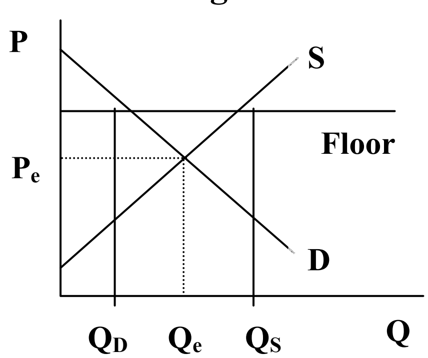
Demand and Supply

√ Market clearing equilibrium

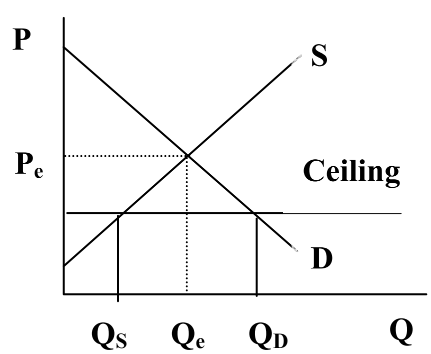


Variations:
• Shifts in demand and supply caused by changes in determinants
• Changes in slope caused by changes in elasticity
•Effect of Quotas and Tariffs

Floors and Ceilings

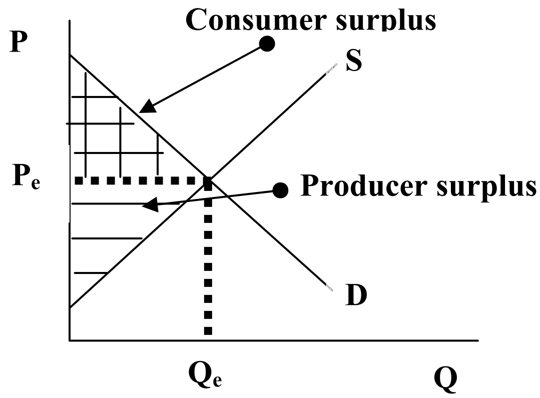


• Creates surplus
• $Q_d<Q_s$



• Creates shortage
• $Q_d>Q_s$

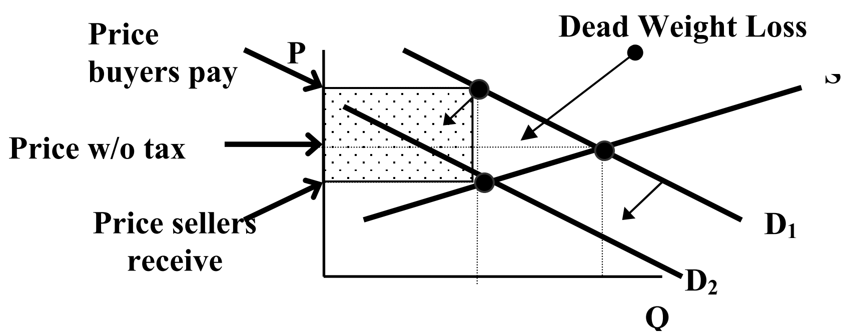
Consumer and Producer Surplus



Effect of Taxes

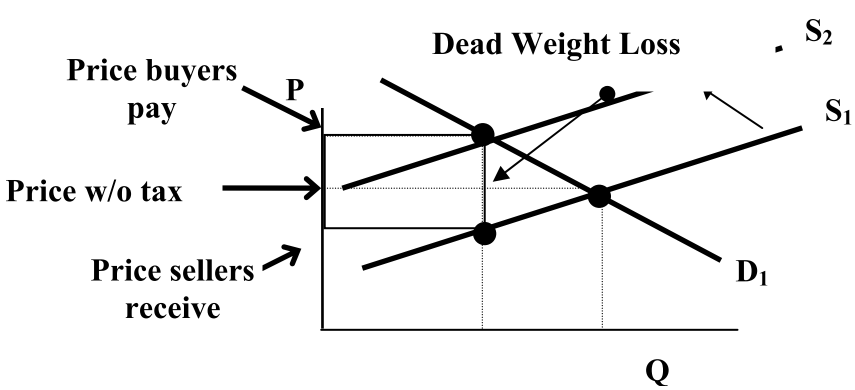
A tax imposed on the BUYER-demand curve moves left

- **elasticity determines whether buyer or seller bears incidence of tax**
- **shaded area is amount of tax**
- **connet the dots to find the triangle of deadweight or efficiency loss.**



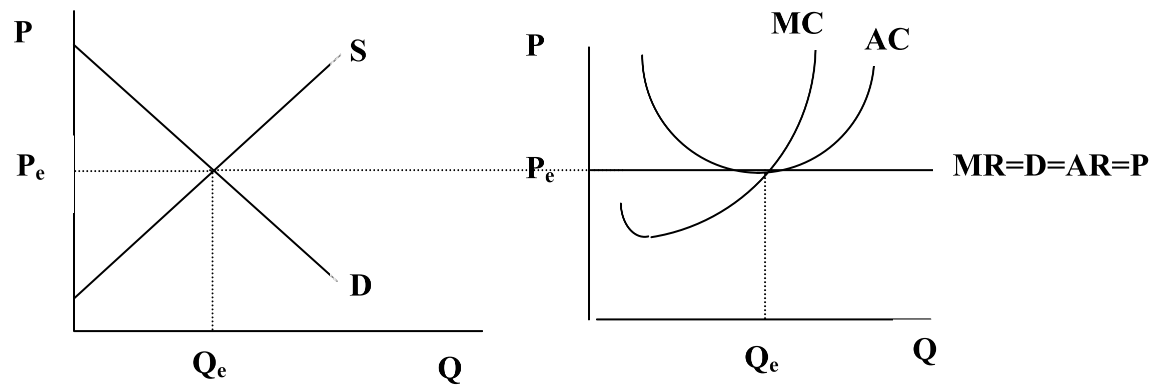
A tax imposed on the SELLER-supply curve moves left

- **elasticity determines whether buyer or seller bears incidence of tax**
- **shaded area is amount of tax**
- **connet the dots to find the triangle of deadweight or efficiency loss.**



Purely Competitive Product Market Structure

Long run equilibrium for the market and firm-price takers
Allocative and productive efficiency at P=MR=MC=min ATC



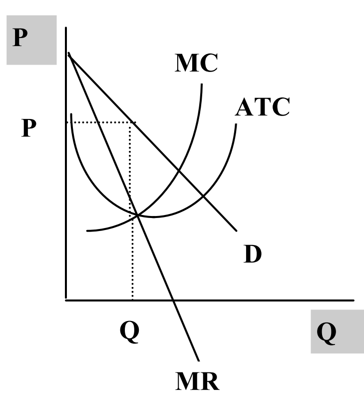
Variations:

• Short run profits, losses and shutdown cases caused by shifts in market demand and supply.

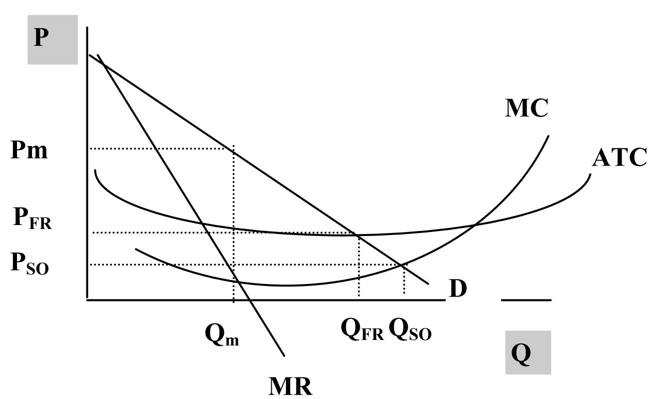
Imperfectly Competitive Product Market Structure

Monopoly Market Structure

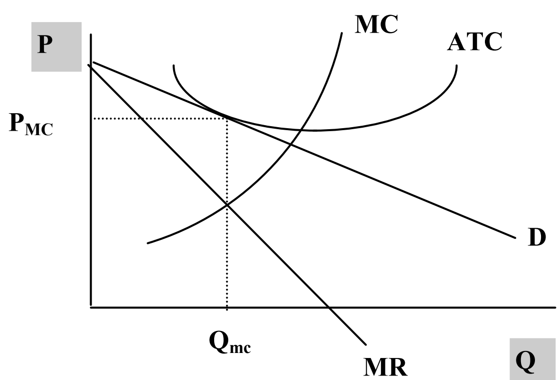
Single price monopolist-price maker
Earning economic profit



Natural Regulated Monopoly
Selling at Fair return (Q_{fr} at P_{fr})



Monopolistically Competitive Market structure
Long run equilibrium where P=AC at MR=MC output

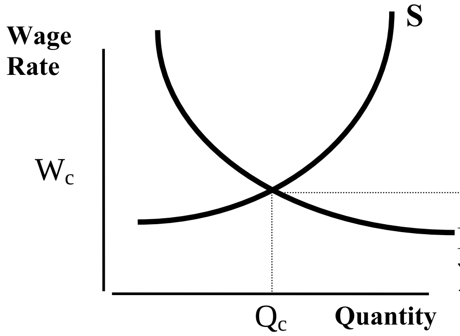


Variations:

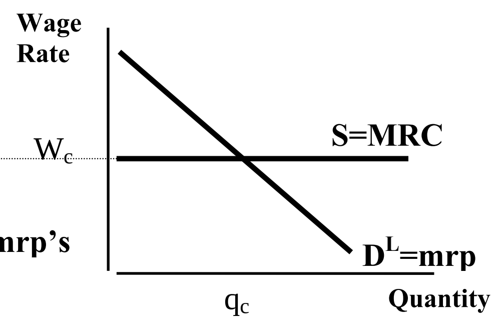
• Short run profits, losses and shutdown cases caused by shifts in market demand and supply.

Pure Competition Resource Market Structure

Perfectly competitive Labor Market-Wage takers
Firm wage comes from market so changes in labor demand do not raise wages.



Labor Market

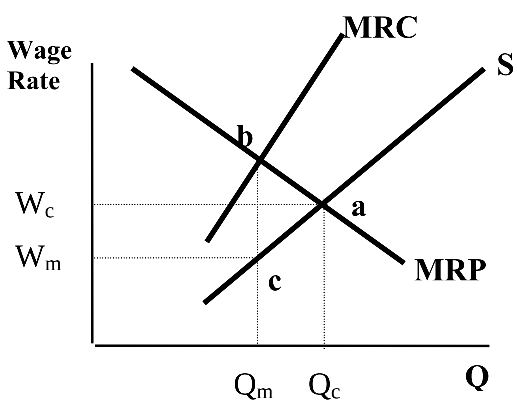


Individual Firm

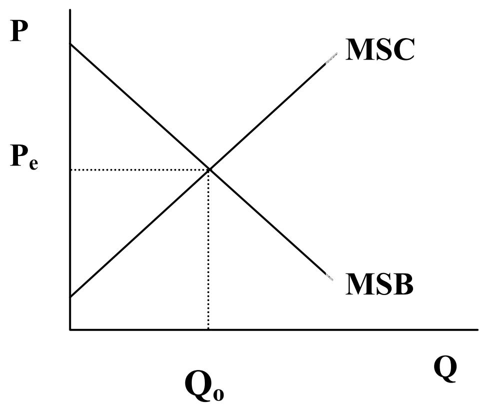
Variations:

• Changes in market demand and supply factors can influence the firm's wage and number of workers hired.

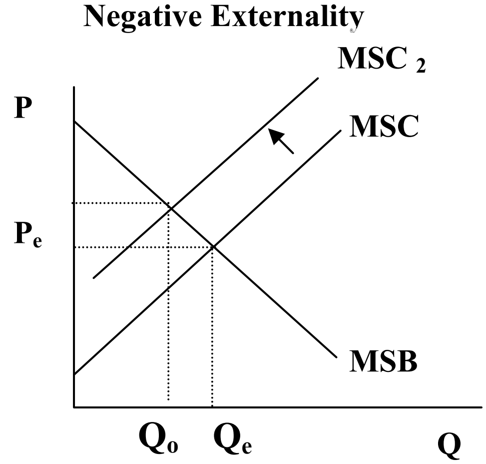
Imperfectly competitive market structure-Wage makers
Quantity derived from MRC=MRP (Q_m
Wage (W_m) comes from that point downward to Supply curve.



Externalities
No Externallity

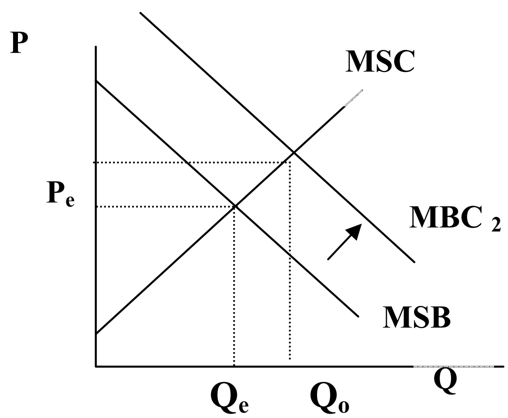


Negative Externality

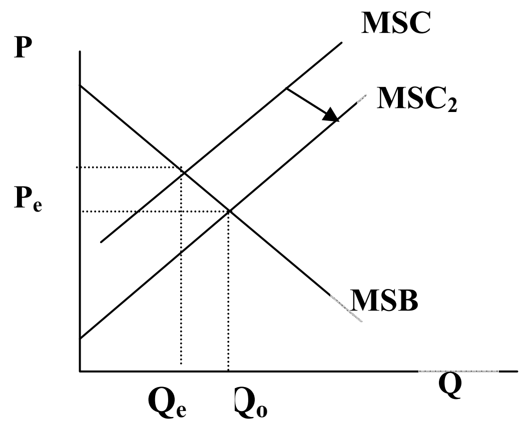


Tax, direct controls, lawsuits, Coase theorem

Positive Externality



Subsidy to buyer



Subsidy to Seller