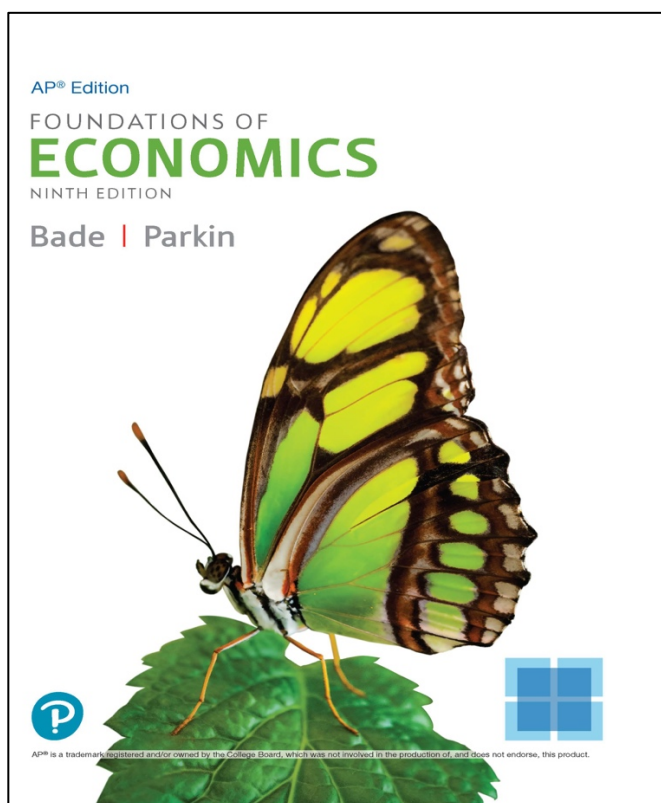


A Correlation of
Foundations of Economics
9th Edition, AP® Edition
©2021



to the
**AP® Macroeconomics and
Microeconomics Curriculum
Framework (Fall 2019)**

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Big Ideas in Microeconomics

Big Idea 1: Scarcity and Markets (MKT)

Big Idea 2: Costs, Benefits, and Marginal Analysis (CBA)

Big Idea 3: Production Choices and Behavior (PRD)

Big Idea 4: Market Inefficiency and Public Policy (POL)

Big Ideas in Macroeconomics

Big Idea 1: Economic Measurements (MEA)

Big Idea 2: Markets (MKT)

Big Idea 3: Macroeconomic Models (MOD)

Big Idea 4: Macroeconomic Policies (POL)

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Enduring Understanding	Big Idea	Foundations of Economics Chapter / Page Citations
Unit 1: Basic Economic Concepts		
MKT-1: Most resources are scarce, and in most cases use of resources involves constraints and trade-offs.	Scarcity and Markets (MKT)	Chapters 1.1, 1.2, 2.2, 3.2, 6.1, 14.1 Definitions and Questions (scarcity and costs), 2–8; The Economic Way of Thinking (choice, property rights and the role of incentives), 8–13; Chapter Summary, 19; Chapter Checkpoint, 20–22; Economic Systems, 41–46; Scarcity 61–64; Opportunity Cost, 66–69; Chapter Summary, 79; Chapter Checkpoint, 80–82; Economic Systems, 140–141; Economic Cost and Profit, 348–351
MKT-1: Production and consumption increase by engaging in trade.	Markets (MKT)	Chapter 3.4 Specialization and Trade (comparative advantage, exchange, and gains from trade), 73–77; Checkpoint, 78; Chapter Summary, 79; Chapter Checkpoint, 80–82
MOD-1: The production possibilities curve (PPC) model is used to demonstrate the full-employment level of output and to illustrate changes in full employment.	Macroeconomic Models (MOD)	Chapters 3.1, 6.2, 22.3, 24.9 Production Possibilities (unemployment in PPFs), 60–68, 70, 143 Unemployment and Full Employment, 578–584; The Demand for Labor, 619–620; The Supply of Labor, 621–622
CBA-1: Rational economic decisions require evaluation of costs and benefits	Costs, Benefits, and Marginal Analysis (CBA)	Chapters 1.2, 3.2, 4.1, 13.1, 13.2, 13a, 14.1 The Economic Way of Thinking (costs, benefits, marginal analysis), 8–13; Opportunity Cost, 66–69; Chapter Summary, 79; Chapter Checkpoint, 80–82;

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		Individual and Market Demand Curves, 87; Theory of Consumer Choice (total utility and marginal utility; utility maximization, individual and market demand curves), 326-331; Income and Substitution Effects, 342; Economic Cost and Profit, 348–351
MKT-2: The consequences of scarcity can be mitigated through specialization in production and by exchange.	Scarcity and Markets (MKT)	Chapter 3.4, 9.3, 14.3 Specialization and Trade, 73–77, 218–219, 221, 367; Checkpoint, 78; Chapter Summary, 79; Chapter Checkpoint, 80–82
MKT-2: In a competitive market, demand for and supply of a good or service determine the equilibrium price.	Markets (MKT)	Chapters 4.1, 4.2, 4.3 Demand (determinants of demand), 85–91; Supply (determinants of supply), 92–99; Market Equilibrium, 100–108; Chapter Summary, 109; Chapter Checkpoint, 110–112
CBA-2: To determine the optimal level at which to pursue an activity whose total benefits exceed total cost, rational economic agents compare marginal benefits and marginal costs.	Costs, Benefits, and Marginal Analysis (CBA)	Chapters 10, 11.2, 11.3, 14.3, 15.1 Externalities, 243–245; Negative Externalities: Pollution (marginal social benefit and marginal social cost, remedies), 246–256; Positive Externalities, 257–262; Chapter Summary, 263; Chapter Checkpoint, 264–265; Public Goods and the Free-Rider Problem (public goods vs private goods, provision of public goods), 271–279; The Tragedy of

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Enduring Understanding	Big Idea	Foundations of Economics Chapter / Page Citations
		the Commons (remedies), 280–288; Chapter Summary, 289; Chapter Checkpoint, 290–292; Marginal Cost, 360; A Firms Profit-Maximizing Choices, 377–384
Unit 2: Supply and Demand Microeconomics		
MKT-3: Individuals and firms respond to incentives and face constraints.	Scarcity and Markets (MKT)	Chapters 1.2, 4.1, 4.2, 5, 10, 11.3 Incentives, 11; Demand, 85–91; Supply, 92–99; The Price Elasticity of Demand, 114–125; The Price Elasticity of Supply, 126–130; Cross Elasticity and Income Elasticity, 131–134; Chapter Summary, 135; Chapter Checkpoint, 136–138; Externalities, 243–245; Negative Externalities: Pollution, 246–256; Positive Externalities, 257–262; Chapter Summary, 263; Chapter Checkpoint, 264–265; The Tragedy of the Commons, 280–288
MKT-4: Although equilibria are stable, an economy can move from one equilibrium to another if market conditions change	Scarcity and Markets (MKT)	Chapters 4.3, 6.1, 6.2, 6.3, 6.4, 6.5 Market Equilibrium, 100–108; Allocation Methods and Efficiency, 140–147; Value, Price, and Consumer Surplus, 148–150;

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Enduring Understanding	Big Idea	Foundations of Economics Chapter / Page Citations
		Cost, Price, and Producer Surplus, 151–153; Are Markets Efficient? 154–160; Are Markets Fair? 161–164; Chapter Summary, 167; Chapter Checkpoint, 166–168
POL-1: Government policies influence consumer and producer behavior and therefore affect market outcomes.	Market Inefficiency and Public Policy (POL)	Chapter 7.1, 7.2, 7.3, 9.2, 9.3, 16.5, 18.4 Price Ceilings (price controls), 170–175; Price Floors, 176–182; Production Quotas (quantity controls), 183–186; Chapter Summary, 187; Chapter Checkpoint, 188–190; Taxes on Buyers and Sellers (tax incidence and deadweight loss), 192–197; Income Taxes and Social Security Taxes, 198–205; Fairness and the Big Tradeoff, 206–210; Chapter Summary, 211; Chapter Checkpoint, 212–214; Winners, Losers, and Net Gains From Trade, 221–224; International Trade Restrictions, 225–232; The Case Against Protection, 233–238; Chapter Summary, 239; Chapter Checkpoint, 240–242; Monopoly Regulation, 424–430; Chapter Summary, 431; Chapter Checkpoint, 432–434; Antitrust Law, 477–482

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Enduring Understanding	Big Idea	Foundations of Economics Chapter / Page Citations
Unit 2: Economic Indicators and the Business Cycle Macroeconomics		
<p>MEA-1: An economy's performance can be measured by different indicators such as gross domestic product, the inflation rate, and the unemployment rate.</p>	Economic Measurements (MEA)	<p>Chapters 2.1, 21.1, 21.2, 21.3, 22.2, 23.1, 24; 28.3</p> <p>Circular Flow, 48-53; GDP, Income, and Expenditure (circular flow in US Economy), 538-542; Measuring U.S. GDP (components of GDP, expenditure approach, income approach), 543-550; The Uses and Limitations of Real GDP (real vs nominal GDP), 551-558; Chapter Summary, 559; Chapter Checkpoint, 560; Appendix: Measuring Real GDP, 563-566; Unemployment definition and measurement, 568-569 Labor Market Trends and Fluctuations (unemployment rate), 573-577; Types of Unemployment, 578-579; Natural Rate of Unemployment 579-580; Chapter Summary, 585; Chapter Checkpoint, 586-588; Measuring Inflation and Deflation (Consumer Price Index), 590-593; The Price Level, Inflation, and Deflation in the United States, 593-595; 603-604 GDP Price Index; Potential GDP and the Natural Unemployment Rate, 613-634; Costs of Inflation, 741-744</p>

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<p>MEA-2: The economy fluctuates between periods of expansion and contraction in the short run, but economic growth can occur in the long run.</p>	<p>Economic Measurements (MEA)</p>	<p>Chapter 21.3, 22.1, 22.2, 22.3 Tracking the Course of the Business Cycle, 552–554; Definition and Measurement of Unemployment 568-569; Labor Market Trends and Fluctuations (unemployment rate), 573–577; Unemployment and Full Employment (types of unemployment and the natural rate of unemployment), 578–584</p>
<p>Unit 3: Production, Cost, and the Perfect Competition Model Microeconomics</p>		
<p>CBA-2: To determine the optimal level at which to pursue an activity whose total benefits exceed total cost, rational economic agents compare marginal benefits and marginal costs.</p>	<p>Costs, Benefits, and Marginal Analysis (CBA)</p>	<p>Chapters 14.1, 14.2, 14.4, 15.1, 15.2, 15.3, 16.2, 17.2, 19.1 Economic Cost and Profit (accounting vs economic profits, normal profit), 348–351; Production and Costs (production functions: short and long run; marginal product and diminishing returns), 352-357; Short-run Costs, 359-365; Long-run Costs and Economies of Scale 367-369; A Firm’s Profit-Maximizing Choices (MR=MC rule), 377–384; Output, Price, and Profit in the Short Run, 385–389; Output, Price, and Profit in the Long Run, 390–398; Chapter Summary, 399; Chapter Checkpoint, 400–402; Single-Policy Monopoly (profit maximization), 408–412; Output and Profit Decisions (profit maximization), 442–447; Profit maximization, 453; Cost Minimizing Input Combination</p>

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Enduring Understanding	Big Idea	Foundations of Economics Chapter / Page Citations
		and Productive Efficiency, 489-490
<p>PRD-1: Firms’ production and cost constraints over different input and output levels shape optimal decisions in the short run and long run.</p>	<p>Production Choices and Behavior (PRD)</p>	<p>Chapters 14.1, 14.2, 14.3, 14.4, 15.1; 16.2, 16.3</p> <p>Economic Cost and Profit (accounting vs economic profits, normal profit), 348–351; Short-Run Production, 353–358; Short-Run Cost, 359–366; Long-Run Cost, 367–370; Chapter Summary, 372; Chapter Checkpoint, 372–374; Short-run Supply and Shutdown Decision, 381-388; Output and Price Decision, 410–411; Output and Price, 413</p>
<p>PRD-2: Firms’ short-run decisions to produce output, and long-run decisions to enter or exit a market, are based on profitability.</p>	<p>Production Choices and Behavior (PRD)</p>	<p>Chapters 14.1, 14.2, 14.3, 14.4, 15.1, 15.2, 15.3</p> <p>Economic Cost and Profit, 348–351; Short-Run Production, 353–358; Short-Run Cost, 359–366; Long-Run Cost, 367–370; Chapter Summary, 372; Chapter Checkpoint, 372–374; A Firms Profit-Maximizing Choices, 377–384; Output, Price, and Profit in The Short Run (short-run supply and shut down decision), 385–389; Output, Price, and Profit in</p>

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		The Long Run (behavior of firms and markets in short run and long run; efficiency and perfect competition), 390–398; Chapter Summary, 399; Chapter Checkpoint, 400–401
PRD-3: Even with a common goal of profit-maximization, market structure constrains and influences prices, output, and efficiency.	Production Choices and Behavior (PRD)	Chapters 15.1, 15.2, 15.3, 16.2, 16.3, 17.2 A Firms Profit-Maximizing Choices, 377–384; Output, Price, and Profit in The Short Run, 385–389; Output, Price, and Profit in The Long Run, 390–398; Chapter Summary, 399; Chapter Checkpoint, 400–401; Sources of Market Power (natural monopoly), 404–405; Price Discrimination, 406; Single-Price Monopoly (profit maximization), 408–412; Monopoly and Competition Compared (inefficiency of monopoly), 413–417; Price Discrimination, 418–421; Natural Monopoly, 424–426; Output and Price Decisions, 442–447
Unit 3: National Income and Price Determination Macroeconomics		
MOD-2: Economists use the aggregate demand–aggregate supply model to represent the relationship between the price	Macroeconomic Models (MOD)	Chapters 15.1, 21.3, 22.3, 24.1, 26.3, 29.1, 29.2, 29.3, 30.2, 30.3, 30.4, 32.3 Output, Price, and Profit in the Short Run, 385–389; Long Run

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level and aggregate output in an economy and to illustrate how output, employment, and the price level respond to macroeconomic shocks.		Aggregate Supply/Potential GDP (short run and long run AS, actual vs full employment output, business cycle and economic fluctuations), 551, 581-583, 617; Crowding-out Effect, 684; Money, the Price Level, and Inflation, 731–740; Costs of Inflation 741-744; Aggregate Supply (determinants of aggregate supply, short run AS, sticky vs flexible wages and prices), 750–755; Aggregate Demand (determinants of aggregate demand and the multiplier effect), 750–761; Macroeconomic Equilibrium (real output and price level), 762-763; Economic Growth 764; Business Cycle (types of inflation, sticky vs flexible wages and prices, actual vs full employment output, business cycle and economic fluctuations), 765-768; Chapter Summary, 771; Chapter Checkpoint, 772–773; Sticky vs Flexible Wages and Prices in the Aggregate Expenditures Model, 776; Equilibrium Expenditure, 782–787; Expenditure Multipliers, 788–793; The AD Curve and Equilibrium Expenditure, 794–796; Chapter Summary, 797; Chapter Checkpoint, 798–800; Crowding-out Effect, 842
POL-1: Fiscal and monetary policy have short-run effects on macroeconomic outcomes.	Macroeconomic Policies (POL)	Chapters, 32, 33 The Federal Budget (government deficits and debt), 824–830; Fiscal Stimulus (demand side effects,

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		policy mix, government debt), 831–837; The Supply Side: Potential GDP and Growth, 838–844; Chapter Summary, 845; Chapter Checkpoint, 846–847; How the Fed Conducts Monetary Policy, 850–857; Monetary Policy Transmission (demand side effects, policy mix), 858–867; Alternative Monetary Policy Strategies, 868–872; Chapter Summary, 873; Chapter Checkpoint, 874–875
Unit 4: Imperfect Competition Microeconomics		
PRD-3: Even with a common goal of profit-maximization, market structure constrains and influences prices, output, and efficiency.	Production Choices and Behavior (PRD)	Chapters 16, 17, 18 Imperfectly Competitive Markets Monopoly, 403–434; Monopolistic Competition (product differentiation and role of advertising), 435–437; Profit Maximization, 442–443; Short-run and Long-run Equilibrium, 442–444; Excess Capacity and Inefficiency, 445–446; Oligopoly (interdependence, collusion, and cartels), 460–466; Game theory and strategic behavior (Nash equilibrium), 469–474
Unit 4: Financial Sector Macroeconomics		
MEA-3: Money makes it possible to compare the value of goods and services, and interest rates provide a measure of the price	Economic Measurements (MEA)	Chapters 26.1, 27.1, 28.1, 28.2, 33.3 Financial Institutions and Financial Markets (definition of financial assets: money, stocks, bonds, time value of money),

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Enduring Understanding	Big Idea	Foundations of Economics Chapter / Page Citations
of money that is borrowed or saved.		666–671; What Is Money? (definition of money, measures of money supply) 692–697; Banks and Creation of Money, 707–708; Money, Interest, and Inflation, 721–722; Money and the Interest Rate (time value of money, money demand, money market and the equilibrium nominal interest rate), 723–730; Money, the Price Level, and Inflation (time value of money, measures of money supply), 731–740; Measures of money supply, 871
MKT-3: In the money market, demand for and supply of money determine the equilibrium nominal interest rate and influence the value of other financial assets.	Markets (MKT)	Chapters 23.3, 27.4, 28.1, 33.2 Nominal and Real Values, 602–608; Regulating the Quantity of Money, 707–716; Money and the Interest Rate (money demand, money market and the equilibrium nominal interest rate), 723–730; Monetary Policy Transmission, 858–867
MKT-4: The interaction of borrowers, who demand loanable funds, and savers, who supply loanable funds, determines the equilibrium real interest rate.	Markets (MKT)	Chapter 23.3, 26.2 Nominal Interest Rate and Real Interest Rate, 606–608; Chapter Summary, 609; Chapter Checkpoint, 610–611; Supply of and Demand for Loanable Funds (equilibrium real interest rate), 673–685; Crowding-out, 682–684
POL-1: Fiscal and monetary policy have short-run effects on macroeconomic outcomes.	Macroeconomic Policies (POL)	Chapter 27.3, 28.1, 28.2, 32, 33 Tools of Central Bank Policy, 704–712; Real vs Nominal Interest Rates 724–727; Quantity Theory

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		<p>of Money, 733-739 The Federal Budget (demand side effects, policy mix, government deficit and debt), 824-830; Fiscal Stimulus (policy mix), 831-837; The Supply Side: Potential GDP and Growth (supply side effects), 838-844; Chapter Summary, 845; Chapter Checkpoint, 846-847; How the Fed Conducts Monetary Policy (tools of central bank policy), 850-857; Monetary Policy Transmission, 858-867; Alternative Monetary Policy Strategies, 868-872; Chapter Summary, 873; Chapter Checkpoint, 874-875</p>
<p>POL-2: The banking system plays an important role in the expansion of the money supply.</p>	<p>Macroeconomic Policies (POL)</p>	<p>Chapters 27.2, 27.3, 27.4 The Banking System, 698-702; The Federal Reserve System (tools of central bank policy), 703-706; Regulating the Quantity of Money (tools of central bank policy), 707-716; Chapter Summary, 717; Chapter Checkpoint, 718-719</p>

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Unit 5: Factor Markets Microeconomics		
PRD-4: Factor prices provide incentives and convey information to firms and factors of production.	Production Choices and Behavior (PRD)	15.1, 16.2, 19.1, 19.2, 19.2, 20.1, 20.3 A Firm’s Profit-Maximizing Choices, 377–384; Single-Price Monopoly, 408–412; The Demand of a Factor of Production (derived factor demand, marginal revenue product), 489–493; Labor Markets (hiring decisions in the markets for labor and capital), 494–500; Capital and Natural Resource Markets, 501–506; Chapter Summary, 507; Chapter Checkpoint, 508–510; Measuring Economic Inequality (market distribution of income, sources and measures of income inequality), 512–519; Equity 526–531
Unit 5: Long-Run Consequences of Stabilization Policies Macroeconomics		
MEA-2: The economy fluctuates between periods of expansion and contraction in the short run, but economic growth can occur in the long run.	Economic Measurements (MEA)	Chapter 21.3, 22.2, 22.3 Tracking the Course of the Business Cycle, 552–554; Labor Market Trends and Fluctuations (Unemployment Rate), 573–577; Unemployment and Full Employment, 578–584
MOD-1: The production possibilities curve (PPC) model is used to demonstrate the full-employment level of output and	Macroeconomic Models (MOD)	Chapters 3.1, 22.3, 24.9 Production Possibilities, 60–65 Unemployment and Full Employment, 578–584; The

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to illustrate changes in full employment.		Demand for Labor, 619–620; The Supply of Labor, 621–622
MOD-3: The Phillips curve model is used to represent the relationship between inflation and unemployment and to illustrate how macroeconomic shocks affect inflation and unemployment.	Macroeconomic Models (MOD)	Chapter 29.3, 31 Demand-Pull vs Cost-Push Inflation, 766-768; The Short-Run Philips Curve, 802–807; Short-Run and Long-Run Phillips Curves (role of expectations), 808–814; Influencing Inflation and Unemployment, 815–817; Chapter Summary, 819; Chapter Checkpoint, 820–823
POL-3: There are long-run implications of monetary and fiscal policy.	Macroeconomic Policies (POL)	Chapters 24.1, 25.1, 25.2, 25.4, 32.3, 33.2 Aggregate Production Function, 618; Definition of Economic Growth, 638; Determinants of Economic Growth (investment in human capital, investment in physical capital, research and development and technological progress, aggregate production function), 642-647; Growth Policy, 656-658; The Supply Side: Potential GDP and Growth, 838–844; Chapter Summary, 845; Chapter Checkpoint, 846–847; Monetary Policy Transmission, 858–867; Chapter Summary, 873; Chapter Checkpoint, 874–875
POL-4: Authorities and organizations institute policies that affect economic growth.	Macroeconomic Policies (POL)	Chapter 27, 32, 33 The Federal Reserve System, 703–706; Regulating the Quantity of Money, 707–716; Fiscal Policy,

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		823–848; Monetary Policy, 849–876
Unit 6: Market Failure and the Role of Government Microeconomics		
POL-2: Perfectly competitive markets allocate resources efficiently, but imperfect competition often results in market inefficiencies.	Market Inefficiency and Public Policy (POL)	Chapter 10, 11.3 Externalities, 243–245; Negative Externalities: Pollution, 246–256; Positive Externalities, 257–262; Chapter Summary, 263; Chapter Checkpoint, 264–265; The Tragedy of the Commons, 280–288
POL-3: Private incentives can fail to account for all socially relevant considerations.	Market Inefficiency and Public Policy (POL)	Chapter 10, 11.3 Externalities, 243–245; Negative Externalities: Pollution, 246–256; Positive Externalities, 257–262; Chapter Summary, 263; Chapter Checkpoint, 264–265; The Tragedy of the Commons, 280–288
POL-4: In imperfect markets, well-designed government policy can reduce waste.	Market Inefficiency and Public Policy (POL)	Chapter 7.1, 7.2, 16.5, 18.4 Price Ceilings, 170–175; Price Floors, 176–182; Monopoly Regulation, 424–430; Chapter Summary, 431; Chapter Checkpoint, 432–434; Antitrust Law, 477–482
POL-5: Market outcomes can result in income inequality.	Market Inefficiency and Public Policy (POL)	Chapters 20.1, 20.2, 20.3 Measuring Income Inequality, 512–519; How Economic Inequality Arises, 520–525; Income Redistribution, 526–532;

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		Chapter Summary, 533; Chapter Checkpoint, 534–535
Unit 6: Open Economy – International Trade and Finance Macroeconomics		
MEA-4: Foreign trade accounting measures the flow of goods, services, and financial capital between countries.	Economic Measurements (MEA)	Chapter 34.1 Financing International Trade (balance of payments accounts, balance of trade, current account, financial account), 878–884; Chapter Summary, 901; Chapter Checkpoint, 902–903
MKT-5: The interaction of buyers and sellers exchanging the currency of one country for the currency of another determines the equilibrium exchange rate in a flexible exchange market and influences the flow of goods, services, and financial capital between countries.	Markets (MKT)	Chapter 34.2 The Exchange Rate (foreign exchange market, demand for and supply of foreign exchange, exchange rate determination, currency appreciation and depreciation; imports, exports, and financial capital flows; relationships between international and domestic financial goods and markets), 885–900; Chapter Summary, 901; Chapter Checkpoint, 902–903