

Dunwoody High School
AP Macroeconomics
Summer Assignments – 2017-2018

Directions: carefully read the assigned text and complete the assignments according to the instructions listed below. **Plagiarism of any part of the assignment will result in a zero for the assignment and an academic referral.** Please do your own work. If your financial situation does not allow you to purchase the workbook or Naked Economics, please contact either Mr. Meador or Mrs. Lampron at charles_c_meador@dekalbschoolsga.org or laura_j_lampron@dekalbschoolsga.org

ALL work is due on the first day of school. Schedules may change over the summer.

Assignment, Part I

Please **purchase** a **new** copy of the workbook pictured below. We will use this workbook extensively over the course of the semester for classwork and homework. You must have the workbook on the first day of class.



Advanced Placement Economics: Macroeconomics: Student Resource Manual, 4th. Ed by Margaret A. Ray **Note:** this workbook is available for \$24.95 from the Council for Economic Education store:

<http://store.councilforeconed.org/products/advanced-placement-macroeconomics-4th-edition-student-manual>

Assignment, Part II

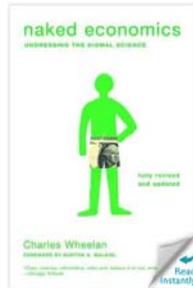
Please bring the following materials to class on the first day of school.

- Workbook (Advanced Placement Economics: Macroeconomics Student Resource Manual, 4th Edition)
- Summer reading text with annotations OR typed/neatly hand written answers to the summer reading questions
- Composition book for warm-up assignments
- 3-ring binder with 5 tabbed sections
- Loose-leaf notebook paper (wide or college-rule OK)
- Pencil(s)
- Pens (1 blue or black and 1 red)
- Ruler (optional but helpful)
- Graph paper (optional)

Assignment, Part III

*There are two options for the summer reading assignment but both involve reading *Naked Economics* by Charles Wheelan. Both are independent assignments and students will be held to the highest standards in regards to academic honesty.

Option #1: Purchase*, read and **critically and meaningfully annotate** *Naked Economics* by Charles Wheelan, which is available from a number of vendors for about \$10-13. **Note:** you will be held accountable for the quality and quantity of your annotation. Please see below for assistance with annotation. Please note that simply reading and highlighting will not earn a passing grade.



<http://www.barnesandnoble.com/w/naked-economics-charleswheelan/1101994562?ean=9780393337648>

Annotation is a way for you to interact with the text and for me to see your thought process as you are reading. Annotation is done directly on the pages in the margins of the book. It is also acceptable to use post-it notes. Annotation involves two components: symbols and marginalia. For the symbol, you may use the key below. Marginalia involves the written word. Next to your symbol, write a few words so that I know what you are thinking. These words may form a question, comment, prediction, connection, etc. Additionally, you may add to or change the annotation symbols on this list. For example, you may prefer to use happy and sad faces for agree and disagree rather than + or -. Please make sure you write your key in the front cover of your copy of Naked Economics. Below is a suggested key.

Annotation Symbols

🎯 Make a prediction

✓ Confirm a prediction

Vocab Vocabulary

❓ Question or confusing

★ Interesting

! Important

∞ Connection

⊕ Agree

⊖ Disagree

Option #2: Purchase* and read *Naked Economics* by Charles Wheelan, which is available from a number of vendors for about \$10-13. Then, complete the following reading assignment. The study guide must be neatly hand written or typed in size 12 Times New Roman Font. The study guide assignment is three fold:

1. First, summarize each major concepts listed under each chapter. You should clearly identify which chapter and concept you are summarizing by properly labeling each. This is not intended as a short cut around reading the entire book, rather it is meant to help you concentrate your attention on the key economic concepts from Wheelan's book.
2. Complete the Essential Questions pertaining to each chapter. Your responses should be at least 2-3 sentences for each question and in your own words (not the author's).

Your study guides will be collected on the first day of class.

Any questions during the summer can be submitted to charles_c_meador@dekalbschoolsga.org OR laura_j_lampron@dekalbschoolsga.org

Assignment Part I: "NAKED ECONOMICS" – "MAJOR CONCEPT SUMMARY"

The following concepts within the book need to be summarized in accordance with the template format below:

Chapter 1- The Power of Markets

1. Market allocation p. 4
2. Assume rational utility-maximizers p. 9
3. Opportunity costs p. 11
4. Profit max p.13
5. Prices allocate resources p.13
6. Barriers to entry p.15
7. Market price, pricing decision & price discrimination p.17-18
8. Lessons of markets p.20-25 (bold topics)

Chapter 2 – Incentives Matter

1. Wrong incentives lead to undesirable outcomes p.37
2. Principal-agent problem p.39
3. Prisoner's dilemma p. 44
4. Creative destruction p.47
5. Tax & gov't program disincentives p. 49
6. Regressive taxes p. 52
7. Progressive taxes p.52

Chapter 3 – Government and the Economy

1. Externalities provide examples p. 55
2. Gov't solutions to externalities p. 60
3. Gov't makes market economy possible – rights, laws, regulations p.65
4. Public goods provide examples p. 72
5. Redistribution p. 75

Chapter 4 – Government and the Economy II

1. Gov't inefficiency p.81
2. Gov't allocation vs. private allocation p.83
3. Effects of regulation p. 90
4. Effects of taxation p. 94
5. Summary of role of the Gov. p. 101

Chapter 5 – Economics of Information

1. Adverse selection p.108
2. Firm screening p. 114
3. Branding provides information p.118
4. Branding versus commodities p.119

Chapter 6 – Productivity and Human Capital

1. Human capital p.127
2. Job creation p.132
3. Effects of human capital on standard of living p.135
4. Productivity p.135
5. Income inequality p.141

Chapter 7 – Financial Markets

1. Purposes of financial instruments p.149
2. Efficient markets & index funds p.167
3. Investment guidelines p.168

Chapter 8 – The Power of Organized Interests

1. Interest groups & politicians' incentives p.179
2. Some regulations benefit business p.181
3. Tyranny of the status quo p.183

Chapter 9 – Keeping Score

1. GDP: importance, real vs. nominal, per capita p. 194
2. GDP growth & wage growth p.195
3. GDP misses social progress p. 197
4. Recessions p.201
5. Fiscal & monetary policy p. 206
6. Other "vital signs": unemployment, poverty, inequality, gov't budget, deficit, current acct, national savings, demographics p.209

Chapter 10 – The Federal Reserve

1. Importance of Fed p. 218
2. Easy money causes inflation p. 220
3. FOMC & monetary policy tools p.223
4. Difficulty of policy decision-making p. 226
5. Money p.228
6. Inflation & effects p.231
7. Political pressure to allow inflation p.235
8. Deflation p.238

Chapter 11- International Economics

1. Exchange rate p.246
2. Purchasing power parity p.246
3. Effects of weak dollar p.251
4. Interest rates effects on currency p.252
5. Gold standard p.254
6. Floating exchange rates p.255
7. Fixed exchange rates p. 256
8. Current account deficit p.263

Chapter 12 – Trade and Globalization

1. Benefits of trade p.273
2. Absolute advantage p.274
3. Comparative advantage & specialization p.274
4. Losers from trade p.275
5. Protectionism p.278
6. Trade raises real incomes p. 280
7. Trade Barriers p.280
8. Trade benefits for poor countries p.281
9. Voluntary exchange p.285
10. Changes in income effect on environment p.289

Chapter 13 – Development Economics

1. Importance of policies (vs. resources) p.296
2. Effective development policies p.298

Assignment Part II: “NAKED ECONOMICS” – ESSENTIAL QUESTIONS

Chapter 1: The Power of Markets

1. What are the two basic assumptions that economists make about individuals and firms?
2. What is the role and significance of prices in the market economy?
3. What’s so great about a market economy anyway?

Chapter 2: Incentives Matter

1. Why do incentives matter?
2. How do governments use incentives to create good and bad policies?

Chapter 3: Government and the Economy

1. In your own words, explain what an externality is.
2. Besides addressing externalities, what other important and beneficial roles does government play in our economy?

Chapter 4: Government and the Economy II

1. What are the main reasons why government should take only a limited role in a market economy?

Chapter 5: Economics of Information

1. Basic economic models assume that all parties have “perfect information.” How does “informational asymmetry” undermine our market economy?

Chapter 6: Productivity and Human Capital

1. After reading Wheelan’s argument, do you agree that Bill Gates should be so much richer than you? Why/why not?
2. Evaluate the following statement from pg. 113: “We should not care about the gap between the rich and the poor as long as everyone is living better.”

Chapter 7: Financial Markets

1. Explain how get rich quick schemes violate the most basic principles of economics.
2. What advice about the stock market did you find most useful and or interesting?

Chapter 8: The Power of Organized Interests

1. Why have mohair farmers earned a subsidy from the Federal Government for decades?

Chapter 9 : Keeping Score

1. Why is a nation's GDP a good measure of its economic well-being and progress?
2. Why is a nation's GDP a poor measure of its economic well-being and progress?

Chapter 10: The Federal Reserve

1. What is the primary role of the Federal Reserve?
2. What is the significance of this role?
3. What is deflation, and why is it worse than inflation?

Chapter 11: International Economics

1. Why does the PPP differ from the exchange rate?

Chapter 12: Trade and Globalization

1. What is the "good news about Asian sweatshops"?

Chapter 12: Development Economics

1. After reading the chapter, what do you believe are the two greatest obstacles preventing poor countries from becoming rich?

Epilogue: Life in 2050

1. What economic question do you have about life in 2050? About today's economy?