

## AP Microeconomics Summer Assignment

**Contact:** Rebecca Rogan, rrogan@meadhallschool.org

**DUE DATE:** First Day of Class, beginning of class

**GRADE:** Test Grade for Quarter 1

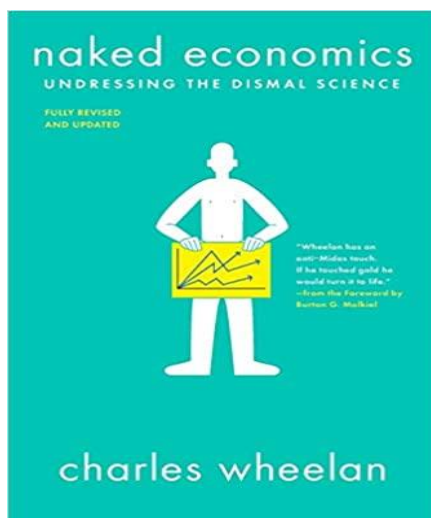
AP Microeconomics gives students a thorough understanding of the principles of economics that apply to the functions of individual decision makers, both consumers and producers, within the economic system. It places primary emphasis on the nature and functions of product markets and includes the study of factor markets and the role of government in promoting greater efficiency and equity in the economy.

As an introduction to a full year of studying microeconomics, we will read the book “Naked Economics” by Charles Wheelan for our summer reading assignment. The book gives an overview of the subject of economics and translates the language of economics into relatable terms.

**TEXT:** “Naked Economics: Undressing the Dismal Science”, 3rd Edition  
By Charles Wheelan

**ISBN-13:** 978-0393356496

**ISBN-10:** 0393356493



*After reading the book, answer the following questions for discussion. Write a full paragraph to answer each question and reference details and information from the book for full credit. Since this is a college-level class, please write an in-depth, comprehensive response to each question.*

### **Chapter 1: The Power of Markets**

What is the concept of utility? List some examples of utility provided in the book.

What are the two basic assumptions that economists make about individuals and firms?

What are the advantages and disadvantages of a market economy?

How does the author answer the question “why did the chicken cross the road”?

### **Chapter 2: Incentives Matter**

Explain why incentives matter.

Explain the term “creative destruction” and give two examples.

Why might you be able to save your face by cutting off your nose (if you are a black rhinoceros)?

### **Chapter 3: Government and the Economy**

Explain what an externality is and give examples of positive and negative externalities.

If taxing externalities isn't a perfect solution, why do we do it?

### **Chapter 4: Government and the Economy II**

What lessons can we learn from our US Government monopolies?

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

### **Chapter 5: Economics of Information**

What does Wheelan mean by “perfect information”?

Explain why branding is very important, and why it is so profitable.

## **Chapter 6: Productivity and Human Capital**

The underlying problem of poverty is the lack of what? Explain.

After reading Wheelan's argument, do you agree that Bill Gates should be so much richer than you? Explain.

## **Chapter 7: Financial Markets**

What advice about investing in the stock market did you find most interesting and/or useful? Why?

## **Chapter 8: The Power of Organized Interests**

What is the idea behind a subsidy? How does this help the economy?

Why have mohair farmers earned a subsidy from the federal government for decades?

## **Chapter 9: Keeping Score**

Summarize each of the following indicators: unemployment, poverty, income inequality, government, deficits/surplus, savings, demographics.

## **Chapter 10: The Federal Reserve**

What is the primary role of the Federal Reserve? What is the significance of this role?

What is deflation, and why is it worse than inflation?

## **Chapter 11: International Economics**

Explain the "dysfunctional economic" relationship between the United States and China. What are the significant risks for each side?

## **Chapter 12: Trade and Globalization**

How can free trade be good for everyone?

What can we do to help developing nations? What do they need to do to help themselves?

## **Chapter 13: Development Economics**

After reading this chapter, what do you believe are the two biggest obstacles preventing poor countries from becoming rich?