

## Summer Assignment: AP Microeconomics

Mr. Werth

### Introduction:

Advanced Placement Microeconomics is a full year course designed to closely resemble an introductory college course in Microeconomics. To that end, we will engage in an in-depth survey of Microeconomics with a focus on each concept's relation to real world application and our own lives. In order to cover all of the material, and ensure that you are adequately prepared for the AP Exam, you will be required to do a great deal of reading. It will be necessary that you not only skim through the material, but read it carefully and assimilate it into your understanding of economics. Each of my students will be expected to enter the class having done some preliminary reading over the summer.

### Assignment:

Read: [Naked Economics: Undressing the Dismal Science](#) by Charles Wheelan

(It can be found in any library, bookstore, or online for as low as \$5.99)

**Directions:** As you read the book, choose any SIX chapters and answer the questions associated with those chapters. (NOTE: You do not have to answer questions for all 12 chapters)

Expectations: Label each section with the appropriate number. You do not need to restate the question. Use common sense and complete sentences. The answer for each section should be approximately  $\frac{1}{2}$  to  $\frac{3}{4}$  of a page.

Due Date: The first day of the semester. No points will be given for late work. If completing this assignment presents any problem for you, you should seriously consider whether this is the course for you.

### Questions:

1. Chapter 1: In a paragraph, summarize the main points of chapter one. Note that simply listing the bolded statements will get you zero points. There are key ideas and assumptions in this chapter.
2. Chapter 2: Explain why incentives matter. What you think about the author's ideas on black rhino conservation? Explain what perverse incentives are and give examples from a high school student's life.
3. Chapter 3: Summarize this chapter in one paragraph. Why might government regulations and lawyers be a good thing? Include specific examples.
4. Chapter 4: In a paragraph, be sure to discuss the government's "grabbing hand" as it licenses and regulates businesses in third world countries versus Capitalist nations.

5. Chapter 5:

a. What does information asymmetry have to do with the hiring process, in regards to gender? What does the author feel about this discrimination? Do you agree with him? Explain. What do you feel about his long term solution to this problem?

b. Explain the problem of private health insurance. Why do the costs continue to rise? What is the problem with public health insurance? Discuss adverse selection, as it relates to this chapter.

6. Chapter 6: The author discusses the symptom of being poor, and the illness of being poor. What does the author mean? Do you agree with him? Explain. How does the poverty line right now compare to 100 years ago? Why is America like a real life version of "Revenge of the Nerds?" What's so important about Human Capital?

7. Chapter 7: What does the efficient market theory have to do with Financial markets? Discuss the positives and negatives of the theory. Why do Wall-Street types not like it? Explain the coin flipping experiment, as it relates to investment diversification.

8. Chapter 9: Explain how the average American is three times as rich as they would have been in 1950. Explain the most effective "knock" on GDP. What does the author think about the effectiveness of fiscal policy? Explain how a current account surplus/deficit can be good and bad.

9. Chapter 10: What is the drastic consequence of poor monetary policy the author discusses at the start of the chapter? Do you agree with this argument? Explain. What is the relationship between governments who owe money, government policies to fight inflation, and monetary policy? Does this change your opinion of how monetary policy is used by the US Government?

10. Chapter 11: What is the relationship between specialization and productivity? Discuss, in two paragraphs or less, your opinions on globalization after reading this chapter. Cite data from the book to prove your point. Finally, discuss the problem of "good intentions" on globalization and "sweatshops". What do you propose to solve this problem?

11. Chapter 12: After reading this chapter, explain and discuss what we can do to help developing nations. What do these nations need to do to help themselves?

**Questions:**

If you have any questions at all, prior to or during the summer, feel free to email me at [ben.werth@new-haven.k12.ct.us](mailto:ben.werth@new-haven.k12.ct.us). Good luck and have a fantastic summer!