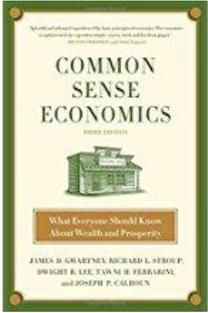


AP Microeconomics Summer Assignment

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Due Date: August 25, 2017



Acquire the book *Common Sense Economics: What Everyone Should Know about Wealthy and Prosperity* Third Edition (ISBN: 9781250106940) by James D. Gwartney, Richard L. Stroup, etc. The book can be found at the following locations: (prices were as of May 2017)

Amazon.com (\$10.99)

Barnes & Noble (\$16.73)

eBay (\$10.99)

The summer assignment will consist of three different parts with different directions. It can be turned into a single document turned in via myLearning BUT must also be printed out for in classroom use.

**Part A: Vocabulary**

**Directions:** Define all of the vocabulary words throughout the book in your own words. These words should be in the order of the book with the page number in the parenthesis. The vocabulary words should also be numbered. The vocabulary words are bolded throughout the text.

Ex:

1. Resources (page 9): items that are necessary for survival
2. Opportunity Cost (page 9): giving something up in favor of another

**Part B: Textual Understanding**

**Directions:** As you read, answer the questions. They are group together by section of the book. Make sure your answers are thorough and answer the questions exactly. Mark your answers in red or purple.

Part I: Twelve Key Elements of Economics

1. How does the author explain why marginal analysis is relevant to decision-making?
2. "If you do something good for me, I will do something good for you." How does this describe trade?
3. What are reasons why demand changes?
4. What is the difference between change in D and change in QD?
5. What makes supply shift?
6. How can profit cause stagnation?
7. Why was the AAA in 1922 economically unhealthy?
8. Why did cash for clunkers fail?

Part II: Seven Major Sources of Economic Progress

1. Property is a broad term that includes ownership. Private ownership involves what three things?
2. Why is competition important?
3. How is minimum wage affecting US workers? What is your opinion on minimum wage?
4. How does capital investment influence economic growth?
5. What is the persistent cause of inflation?
6. Why do high marginal tax rates reduce output and income?
7. What is one example of where the United States had high expansion in real output?
8. Why does international trade benefit smaller countries?

### Part III: Ten Key Elements of Economic Thinking About the Role of Government

1. What are the two major functions of the government in economics?
2. When does a monopoly exist?
3. Why do people have an incentive to become a free-rider?
4. When does a budget deficit happen?
5. What kind of economic theory did Keynes believe?
6. Why are subsidies a danger to political democracy and economic efficiency?
7. President Lyndon Johnson had a solution for the War on Poverty. What was it? Did it work? Explain.
8. Why do economists believe central planning is inefficient?
9. Element 9 calls economics a game with the government. Why?

### Part IV: Twelve Key Elements of Practical Personal Finance

1. Many economists pair comparative advantage with international trade. How does it relate to individuals?
2. The book drives the word success. Do you wish to be successful? What must you do to become successful?
3. Why is budgeting important?
4. Why is it a poor choice to finance "any thing for longer than its useful life?"
5. Why is a rainy day account a good idea?
6. What is the difference between stocks and bonds?
7. Is retirement really that important? Explain your reasoning.
8. What is the biggest risk for a student considering post secondary education?
9. Go to [payscale.com](http://payscale.com), click what am I worth. Go to 'research a job that isn't mine'. Fill in the fields for the job in which you wish to hold (or something similar), the years in field, and place you wish to reside in the future. **Write all of that information below as well.** Answer any other prompted questions by the website. You DO NOT need to provide email information. What did [payscale.com](http://payscale.com) come up with? Write below the salary in which it says you should make. Can you live off this?
10. What are the six guidelines to making a wise investment decision?

### **Part C: Summary of Text**

**Directions:** Gather your thoughts and come up with five Ah-ha moments while you were reading. What stuck out? Why? What did you really disagree with? Why? Make sure to write the page number with your ah-ha moment. Use thorough explanations in your answers.