

AP Macroeconomics Summer Assignment

This assignment will be due the second day of class. Please contact me with any questions.

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Part One—Define each vocabulary term.

Module 1

1. Economics
2. Individual Choice
3. Economy
4. Market Economy
5. Command Economy
6. Incentives
7. Property Rights
8. Marginal Analysis
9. Resource
10. Labor
11. Capital
12. Entrepreneurship
13. Scarce resource
14. Opportunity Cost
15. Microeconomics
16. Macroeconomics
17. Economic aggregate
18. Positive Economics
19. Normative Economics

Module 2

20. Business Cycle
21. Depression
22. Recessions
23. Expansions
24. Employment
25. Unemployment
26. Labor Force
27. Unemployment rate
28. Output
29. Aggregate output
30. Inflation
31. Deflation
32. Price Stability
33. Economic Growth
34. Other things equal assumption

Module 3

35. Trade-off
36. Production possibilities curve
37. Efficient
38. Technology

Part Two

The goal of this assignment is to help you start to think like an economist. Start paying attention to any story that has an economic angle to it.

1. Familiarize yourself with the Six Principles of Economics. (Attached)
2. Find and listen to podcasts of your choosing from NPR (<http://www.npr.org/sections/money/>). Read articles relevant to economic topics. Suggested sources: Atlantic, New Yorker, Wall Street Journal, Economist, Forbes, Business Week
3. For **three** podcasts or articles complete the following (typed, 12pt font 1-inch margins, Times New Roman or Arial, double spaced)
 - A. Title of Podcast, Date of Podcast/Article (2pts per podcast/article)
 - B. MLA Citation for Podcast/Article
 - C. Summary of the Podcast (5pts per podcast/article)

Think: What is the main idea? Who is the audience?

- D. ½ page explanation of how the Podcast/Article illustrates at least three economic terms or principles as well as how it connects to your life (8 pts per podcast)

Think: How does this illustrate economic choices and decisions? How might the information help or hurt your economic future or affect your own consumer choices?

Six Principles of Economics: The Handy Dandy Guide

1. **People choose.** People choose the alternative which seems best to them because it involves the least cost and the greatest benefit.

Key Questions: What is the choice being made? Who is making the choice?

2. **All choices involve cost.** Opportunity cost is the second best choice people give up when they make their best choice.

Key Questions: What are the alternatives? What is being refused when a choice is made?

3. **People respond to incentives in predictable ways.** Incentives are actions or rewards that encourage people to act. When incentives change, people's behavior changes in predictable ways.

Key Questions: What are the potential benefits? What are the potential costs? Have the incentives changed?

4. **Economic systems influence individual choices and incentives.** How people cooperate is governed by written and unwritten rules. As rules change, incentives change and behavior changes.

Key Questions: Have choices made by others influenced the individuals in the situation? What are the rules of the system? Have the rules changed? What is being refused when a choice is made?

5. **Voluntary trade creates wealth.** People can produce more in less time by concentrating on what they do best. The surplus goods or services they produce can be traded to obtain other valuable goods and services.

Key Questions: Why is exchange taking place or not taking place? How do choices influence trade and exchange?

6. **The future consequences of choices are the ones that matter.** The important costs and benefits in economic decision making are those which will appear in the future, because it is only the future that we can influence. Sunk costs don't matter - we cannot change things that have happened in the past.

Key Questions: What costs and benefits do you foresee? Can the costs and benefits be changed by today's decisions? How uncertain or risky are the choices being made?