

Your name : \_\_\_\_\_

# Advanced Placement Micro & Macro Economics

Mr. Hetrich

## Summer 2019 Assignment

**The Book:** For this assignment you will need to purchase or borrow an AP Economics preparation book such as *The Princeton Review*, *Barron's*, *Kaplan* etc. Or you can find all materials on line (Google search). If you decide to purchase a MACRO ECON review book, take time to look through several versions first before you make your decision. They are all very similar so the version doesn't matter all that much as long as you are comfortable with the layout of the book. Plan on using that book for this summer assignment and as your independent study for Economics all year long. You may also use the Internet for working on this assignment.

**Due Date:** Ideally, I would love to have this summer assignment by **Friday, July 19** so that I can take all projects with me to the beach for one marathon week of grading. I do understand that lots of good things do happen in the summer but I need to have all summer assignments **by no later than MONDAY, August 12 (beginning of the first week of fall sports practice)**. Late assignments (after due date) will lose 2 points per day of lateness. Extenuating circumstances will receive consideration. Feel free to place it in my mailbox at school, email me, or drop it by the house (1738 Garfield Avenue, WYO). A physical copy of your assignment is preferable so that I may make comments throughout the project.

**Grade:** This assignment will carry the weight of a small test grade (33 points) or about 10% of your first marking period grade. Additionally, there will be several multiple choice questions and several short answer essay questions from this assignment during the first week of school (an additional 24 points).

**Summer Contact:** If you want to submit your completed work or simply have a question, feel free to contact me at [thetrich@wyoarea.org](mailto:thetrich@wyoarea.org) I will also be at the school flagpole each Monday, Wednesday, Friday, and Saturday by 8:15 a.m. (XC practice).

**This Assignment:** Feel free to read the first few pages of your new AP Economics prep book to see the content and testing strategies. These are important facts and skills for your exam next May but they are not part of this summer assignment.

This assignment will introduce you to some of the introductory terms and graphs that we will use frequently throughout the year in economics. Please become familiar with these terms/graphs. Your work may be hand written or word-processed.

**This is an internet-based assignment. All information can be found online using Google.**

**Directions:** Define, on a basis that is understandable to you, each of the following economic terms. Give an example where indicated. If you plan on looking ahead, spend most of your time on the **MACRO** portion of the prep book.

1. **Scarcity** - \_\_\_\_\_  
\_\_\_\_\_

Example: \_\_\_\_\_

2. **Economics** - \_\_\_\_\_  
\_\_\_\_\_

3. Identify the three economics questions all societies must answer.

\_\_\_\_\_ - \_\_\_\_\_ & \_\_\_\_\_

4. **Opportunity cost** - \_\_\_\_\_  
\_\_\_\_\_

Example: \_\_\_\_\_

5. **Marginal cost** - \_\_\_\_\_  
\_\_\_\_\_

6. **Marginal benefit** - \_\_\_\_\_  
\_\_\_\_\_

7. **Microeconomics** - \_\_\_\_\_  
\_\_\_\_\_

Example: \_\_\_\_\_

8. **Macroeconomics** - \_\_\_\_\_  
\_\_\_\_\_

Example: \_\_\_\_\_

9. **Positive economic statement** - \_\_\_\_\_  
\_\_\_\_\_

Example: \_\_\_\_\_

10. **Normative statement** - \_\_\_\_\_  
\_\_\_\_\_

Example: \_\_\_\_\_

11. **Ceteris paribus** - \_\_\_\_\_  
\_\_\_\_\_

Example: \_\_\_\_\_

12. What question did **Adam Smith** ask in *The Wealth of Nations*?  
\_\_\_\_\_

How did Smith answer this question?

What industry did Adam Smith illustrate to make his “point”?  
\_\_\_\_\_

13. You have chosen to take AP Economics and must complete this summer assignment. What is the **opportunity cost** of doing this assignment?  
\_\_\_\_\_

14. Wyomissing has decided to allow tuition students to enter our school this year. What economic concepts did our board consider in reaching this decision? Did the school board make its decision at the **margin**? Explain.

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15. Bill Gates is the richest man on earth. Does he have to deal with the problem of **scarcity** or is that something which troubles us mere mortals? Explain.

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16. Why do economists (et al.) use **graphs**?

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17. Show a **positive relationship** between Price & Quantity.  
Supply curve.



Show a **negative relationship** between P & Q.  
Demand curve.



18. Identify and explain the four **factors of production**. (also known as **Inputs of production**)

a. \_\_\_\_\_ - \_\_\_\_\_

\_\_\_\_\_

b. \_\_\_\_\_ - \_\_\_\_\_

\_\_\_\_\_

c. \_\_\_\_\_ - \_\_\_\_\_

\_\_\_\_\_

d. \_\_\_\_\_ - \_\_\_\_\_

\_\_\_\_\_

19. Each factor (above) must be paid or it will not be provided. Identify the payments to the four **factors of production**.

a. \_\_\_\_\_ gets paid to \_\_\_\_\_

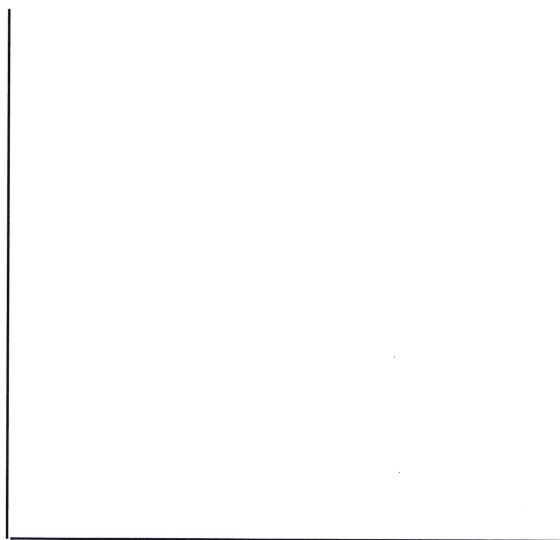
b. \_\_\_\_\_ gets paid to \_\_\_\_\_

c. \_\_\_\_\_ gets paid to \_\_\_\_\_

d. \_\_\_\_\_ gets paid to \_\_\_\_\_

20. Draw a simple **circular flow model** showing the flow of money, goods/services and products. Make sure your Circular flow model shows the following economic players: (households, businesses, government, factor markets, goods markets and arrows showing the flow of \$)

21. What is a **production possibilities curve** (frontier)? What does this graph show? Graph a **PPC**.



On the PPC above label a point “**E**” for efficient, a point “**U**” for unemployed resources, and “**I**” for impossible.

22. What are **trade offs** and how does the **PPC** show this concept?

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23. What is the difference between the two (**Productive** and **Allocative**) **efficiencies** which show up on a **PPC**?

\_\_\_\_\_ means \_\_\_\_\_

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\_\_\_\_\_ means \_\_\_\_\_

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24. What is "**marginal benefit**?"

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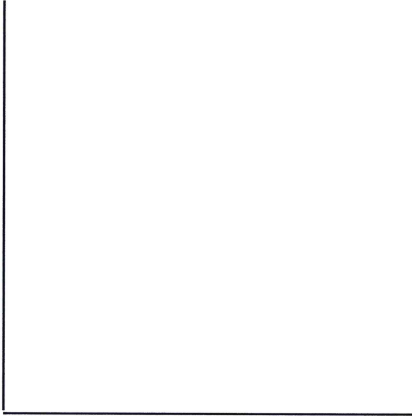
25. What is "**marginal cost**?"

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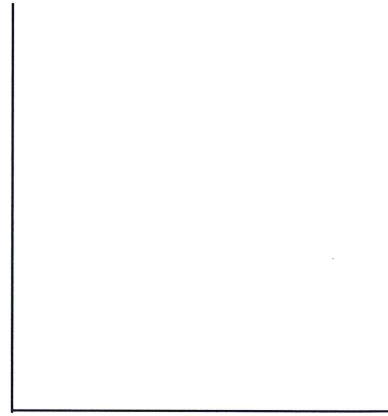
26. What does the **Law of Demand** state?

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27. Show a decrease in **demand**



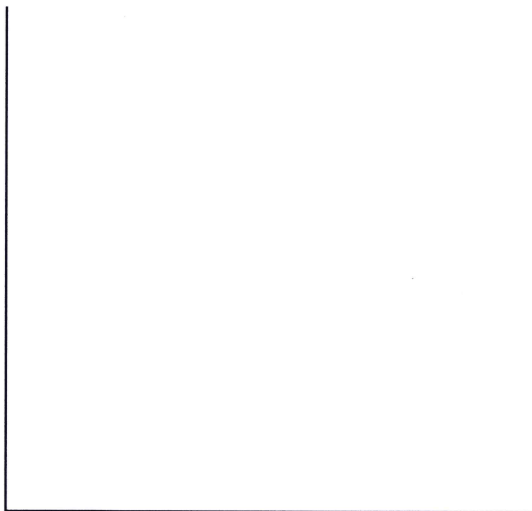
Show an increase in **demand**.



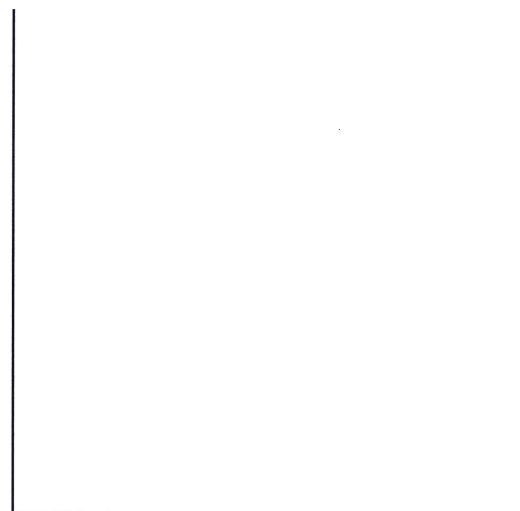
28. What is the **Law of Supply**?

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29. Show an increase in **supply**.

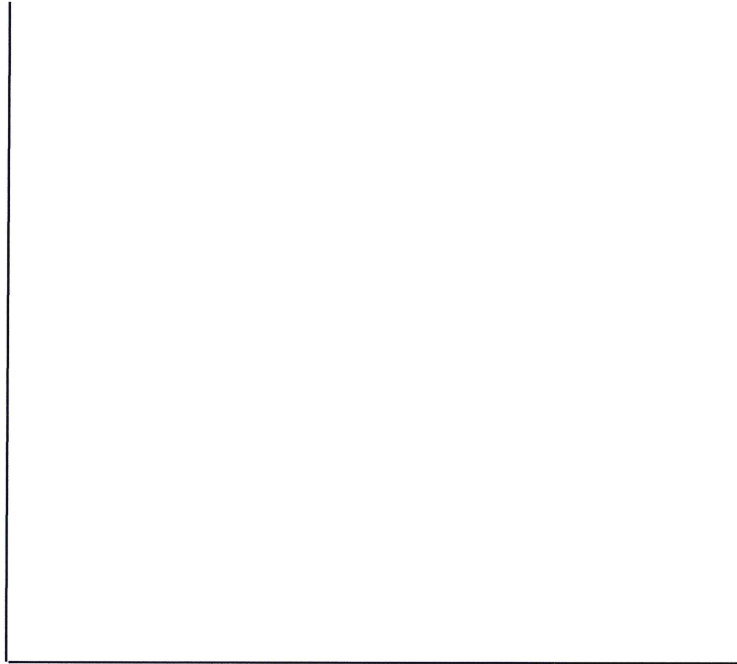


Show a decrease in **supply**.





30. Show **Supply** and **Demand** curves. Label the **equilibrium** price (P) and equilibrium quantity (Q)



31. Show the same supply and demand curves as you did above. Then show a price that results in a **surplus**. (Label, color, or shade the area of **surplus**.)



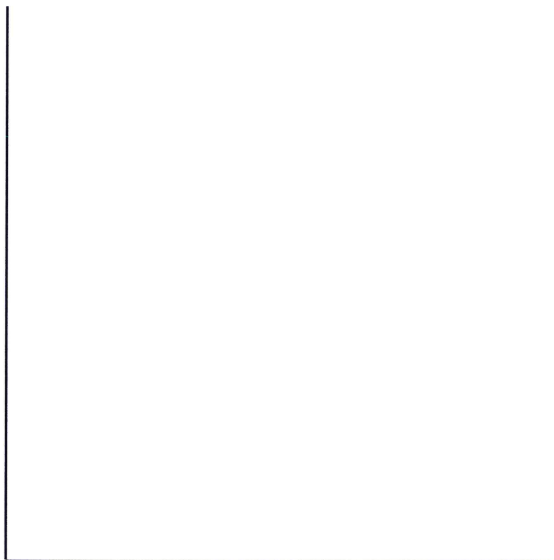
32. Show **Supply** and **demand** where **demand increases**. What happens to price and quantity?



Price \_\_\_\_\_

Quantity \_\_\_\_\_

33. The government places a tax or regulation on the production of a product. What happens to price and quantity?  
Show this.



Price \_\_\_\_\_

Quantity \_\_\_\_\_