**AP Microeconomics Summer Assignment**

Due date: First Day of Class (PRINTED)

The purpose of an AP course in Microeconomics is to provide a thorough understanding of the principles of economics that apply to the functions of individual decision makers, both consumers and producers, within the larger economic system. This year, you will learn how to think at the margin, rationally and logically. Our curriculum focuses on the nature and function of product markets--where you buy goods and services--as well as the labor market that produces those items. In addition, we will delve into the appropriate role of government in the economic sector and how government intervention often seeks to promote efficiency and equity among the population (at least in a perfect world).

***As you investigate one of the parallel readings below, make connections to the content we will learn this year***. A content outline below for your reference.

**Unit One: Basic economic concepts**

1. Scarcity and Choice: the nature of economic systems
2. Opportunity costs and production possibilities
3. Specialization and comparative advantage
4. The functions of any economics system (what, how, and for whom to produce)
5. Supply and demand
   1. Price and quantity determination
   2. Basic manipulation of supply and demand, including ceilings and floors
6. Models of consumer choice
   1. Consumer choice behind the demand curve
   2. Elasticity

**Unit Two: The nature and functions of product markets**

1. Firm productions, costs, revenues
2. Product pricing and outputs, both in the individual firm and in the market
3. Perfect competition
4. Imperfect competition
   1. Monopoly
   2. Oligopoly
   3. Monopolistic competition
   4. Efficiency and government policy toward imperfect competition

**Unit Three: Factor markets**

1. Factors of Production
2. Derived factor demand
3. Determination of wages and other factor prices
4. Monopsony
5. Capital and finance markets
6. Interest
7. Rent
8. Labor Unions

**Unit Four: Efficiency, equity, and the role of government**

1. Market failures/role of government
2. Positive/negative externalities, including pollution
3. Public goods vs. private goods
4. Taxes/distribution of income (Lorenz Curve and Laffer Curve)
5. International Trade

**Parallel Reading:** Purchase and read either *Freakonomics: A Rogue Economist Explores the Hidden Side of Everything* by Stephen J. Dubner and Steven D. Levitt **OR** *The Price of Everything: A Parable of Possibility and Prosperity* by Russell Roberts. Both of these books are superb examples of economic reasoning, and how thinking at the margin is used to in real-world situations. A brief description of each book.

* 1. *Freakonomics:* Have you ever wondered what sumo wrestlers and teachers have in common or why drug dealers still live with their mothers? Probably not, right?! This entertaining, non-fiction book explores seemingly unrelated things to prove that economics (and life in general) is truly about incentives. How can economic analysis help you become a better parent, give your child a “good” name, and reduce crime? These questions and other interesting topics are investigated in this economics classic.
  2. *The Price of Everything:* A fiction book written by a professor at George Mason University, this novel teaches economics lessons through the eyes of a Stanford University student. Written in the form of a narrative and a love story, *The Price of Everything* begins with the outrage some Stanford students feel after a “big box” store hikes its prices after an earthquake. Professor Ruth Lieber engages two students in particular, Ramon and Amy, in conversations about how prices emerge in markets (rather than being “set” as they think) and how the invisible hand guides the allocation of resources in a market. Both students are forced to reconsider everything they thought they knew. This book is an easy read that teaches challenging lessons through a story.

**Double Entry Journal Assignment**

1. Begin reading and making annotations in the text. Underline, circle, highlight--whatever works best for you. “Mark up” your text, as it will be used throughout the year.
2. *Freakonomics*
   1. For each chapter, including the introduction, identify and elaborate on four quotes from the text. Upon completion of this assignment, you must have at least twenty-eight quotations and commentaries. The purpose of collecting and reflecting on these quotations is to make connections to economic concepts. These connections will be important in preparation for the course.
   2. Identify the chapter, page number, and paragraph from which the quote was taken.
   3. See example for commentary.
3. *The Price of Everything*
   1. For each chapter, identify and elaborate on two quotes from the text. Upon completion of this assignment, you will have at least twenty-six quotations and commentaries. The purpose of collecting and reflecting on these quotations is to make connections to economic concepts addressed in the book.
   2. Identify the chapter, page number, and paragraph from which the quote was taken.
   3. See guidelines for your commentary

Example:

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| --- | --- | --- |
| **Chapter, page number, paragraph** | **Quote (exactly as it appears in the text)** | **Your interpretation (comment, question, connection made, analysis)**  **How does the quote relate to economics?** |
| example  *(Freakonomics*) Chapter 2, page 67, paragraph 2 | “The day that car is driven off the lot is the worst day in its life, for it instantly loses as much as a quarter of its value.” | The author asserts the well-known fact that the **value of a new car drastically depreciates** as soon as the new owner drives it off the lot. He states that this is due to the fact that no one would be inclined to buy a brand new used car because they would assume it is a lemon. I think that “lemons” are less of a phenomenon today, as advancements in technology and competition between car manufacturers has risen to improve the quality of cars. I also believe that other factors play into a **person’s decision** to sell a new car, such as their realization that they cannot afford the monthly payments. |
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Copy and paste the above table into a document of your own. Use this template to document quotes and reflect upon selected quotations. In addition, create a header containing your first and last name, the course (AP Microeconomics), and the title of the book you read. This assignment will be printed and submitted at the beginning of our first class meeting. The rubric below will be used to assess your double entry journal.

**Rubric for Double Entry Journal Assignment**

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| **Category** | **Points Possible** | **Points Received/Comments** |
| **Quotations**  -adequate # of quotes (21 for *Freakonomics*, 26 for *The Price of Everything)*  -quotes are exactly as they appear in text  -quotes are chosen deliberately based on their connection to economic concepts | 25 |  |
| **Commentary**  -reflection is thoughtful and relevant to the quote  -detailed information  -economic thought or reasoning applied in each reflection | 50 |  |
| **Page number, chapter, and paragraph** listed correctly for each quote | 15 |  |
| Assignment is **printed and neat** | 10 |  |
| Total Points | 100 |  |