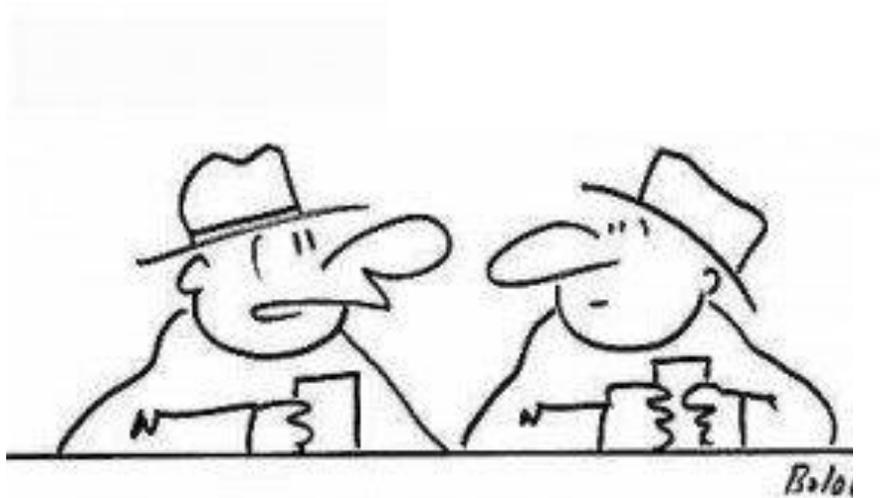


AP Macroeconomics

Pre-Semester Assignment



"My wife's a Keynesian — she's always spending herself out of depressions."

2019-2020 School Year

Welcome to AP Macroeconomics! Simply stated, economics is the study of how we allocate our limited resources to deal with our unlimited wants. So at its most basic level, economics is about scarcity and choice. This course will provide you with a framework for how to think about how scarcity and choice affect every aspect of our lives and our national economy.

This is a college level course, so please be prepared for college level work. We need to cover a great deal of material in quite a limited amount of time, so expect to spend a significant amount of time on economics outside of class. This begins with the pre-semester assignment. The pre-semester assignment serves three major functions:

1. Provide a jumpstart to the year, allowing us to enjoy time to cover the more challenging components of the curriculum
2. Provides an exposure to economic problems to help you begin to “think like a macroeconomist”
3. Provides you with a very elementary introduction to some of the issues of economics so we all start out speaking a common language

This introductory material is somewhat basic, though. I encourage you to browse through the textbook and examine the different topics we will explore.

This assignment is due at the beginning of the first day of class and it will be graded on effort and accuracy. You will not have time in class to print or staple. Late assignments will incur a penalty (except under extenuating circumstances).

MATERIALS NEEDED FOR THIS COURSE

- Binder or folder for handouts/quizzes/test
- Pencils with erasers
- Pens – only blue/black ink is permitted
- Notability on iPad
- Google Classroom + Google Drive apps
 - Google Classroom will be used throughout the year to house documents and assignments for class. It is imperative that you are in the class to receive important updates!
- Books
 - Krugman’s Economics for AP, by Ray and Anderson (3e)

METHOD OF SUBMISSION

- You may either hand write or type this assignment – either way, please be sure to put the following heading on your assignment

Name	Pre-Semester Assignment
AP Macroeconomics – Adsit	

- Digital assignments will be turned in via Google Classroom the 1st day of class. Handwritten assignments should be stapled and ready to turn in at the beginning of class the 1st day.

THE ASSIGNMENT (there are 4 parts to your assignment)

Part I: Why?

- Write one paragraph explaining what you hope to gain from taking a class in macroeconomics. What are your reasons for signing up for this class? Note: A “typical” paragraph is about 5-6 sentences.

Part II: Vocabulary

Please define the following words and become familiar with their meaning. These are the foundational vocabulary words to microeconomics and will allow us to develop a common vocabulary to use in class. You may use your textbook, Google, or your prior knowledge to define each word.

1. Economics
2. Individual choice
3. Incentives
4. Resources
5. Scarcity
6. Opportunity costs
7. Economic aggregates
8. Business cycle
9. Recession
10. Expansions
11. Employment
12. Unemployment
13. Labor force
14. Unemployment rate (meaning + formula)
15. Natural rate of unemployment
16. Aggregate output/GDP (meaning + formula)
17. Inflation (meaning + formula)
18. Deflation (meaning)
19. Price stability
20. Economic growth
21. Ceteris paribus
22. Okun's Law
23. Trade-off
24. Production Possibilities Curve*
25. Efficient
26. Inefficiency
27. Unattainable for now
28. Constant opportunity costs
29. Increasing opportunity costs
30. Expansion of the frontier
31. Technology
32. Gains from trade
33. Specialization
34. Comparative Advantage (CA)
35. Absolute Advantage (AA)
36. Terms of trade
37. Competitive market
38. Supply and demand model*
39. Demand schedule
40. Quantity demanded
41. Demand curve
42. Law of demand
43. Change in demand
44. Movement along the demand curve/change in quantity demanded
45. Substitutes
46. Complements
47. Normal goods
48. Inferior goods
49. Quantity supplied
50. Supply schedule
51. Supply curve
52. Law of supply
53. Change in supply
54. Movement along the supply curve/change in quantity supplied
55. Input
56. Equilibrium price & quantity
57. Surplus
58. Shortage
59. Price controls
60. Price ceiling
61. Price floor
62. Product Markets
63. Factor Markets
64. Aggregate Spending
65. Consumer Spending
66. Investment Spending
67. Government Purchases of Goods and Services
68. Net Exports
69. Government Transfers
70. Disposable Income
71. Private Savings
72. Real income
73. Nominal interest rate (meaning + formula)
74. Real interest rate (meaning + formula)
75. Consumer price index (CPI)

Part III: Videos + Questions

Watch the following videos on YouTube and answer the associated questions.

- Crash Course #1: Introduction to Economics (https://www.youtube.com/watch?v=3ez10ADR_gM&t=1s)
 - What are some things that the study of economics is *not*?
 - The study of economics is basically about what two things?
 - What can understanding economics forever change about you?
 - According to the host, there is actually a cost to watching YouTube videos.
 - Define opportunity cost.
 - Why is John Green not hosting the series? Phrase your answer in economic terms.
 - What are the two most important assumptions in all of economics? Scarcity (people have unlimited wants but limited resources) and everything has a cost.
 - A number of interesting “solutions” were mentioned, such as crushing all the cars to prevent accidents or making murder legal to reduce the number of people in jail for killing others. What economic concept was used to show that these “solutions” are absurd?
 - What three things were identified as possible opportunity costs for building aircraft carriers?
 - Scarcity means that the nation must do what?
 - Which president was cited as pointing out the opportunity costs of military spending?
 - What two institutions were mentioned as being unable to solve all of our problems by themselves?
 - How have states changed their incentives to try to make public universities serve their students better?
 - If an incentive is poorly designed, what might happen?
 - Why is “spend more money” a flawed approach to improving American health care?
 - Why did Vietnam’s “bounty on rat tails” program actually increase the rat population when the goal was to decrease it?
 - What does macroeconomics focus on? The economy as a whole / the whole nation’s economic activity
 - What is the other major branch of economics?

- Crash Course #2: Specialization & Trade (<https://www.youtube.com/watch?v=NI9TLDIPVcs>)
 - Most empires, wars, and human endeavors can be explained by economics if you just ask which question?
 - What kind of lives did the majority of humans who have ever lived have?
 - What historical event caused human populations to see a sustained improvement in living standards?
 - Who is considered to be the first modern economist?
 - What does specialization of labor do?
 - What has the modern world done with the concept of specialization?
 - If nations specialize in making certain products, what is the most efficient way for them to obtain products they aren’t specialists at making?
 - What is an economic model?
 - What does a production possibilities frontier model demonstrate
 - How many different kinds of goods does a typical modern economy produce, and how does this relate to the production possibilities frontier?
 - All points located INSIDE the curve of the production possibilities frontier demonstrate what kind of use of resources?
 - All points located ON the curve of the production possibilities frontier demonstrate what kind of use of resources?
 - All points located OUTSIDE the curve of the production possibilities frontier demonstrate what kind of use of resources?
 - What does it mean to have an “absolute advantage” in production?
 - Looking at different combinations of production on a production possibilities frontier allows you to exactly calculate the value of what economic concept?
 - What does it mean to have a “comparative advantage” in production?
 - According to the economic model explained in the video, why is it better for the U.S. to trade with China to get shoes, rather than manufacturing its own shoes?

- According to the economic model explained in the video, when two nations are trading with one another, who benefits?
 - The U.S. is the world's leading producer and exporter of what item?
 - Economists consider trade mutually beneficial, but there are still serious problems associated with it, such as ----.
 - Most economists agree that specialization and trade do what?
 - Name at least two nations that, at the time the video was produced, were less economically developed than they could be due to a lack of trade.
- Crash Course #3: Economic Systems (<https://www.youtube.com/watch?v=B43YEW2FvDs&t=375s>)
 - What song lyric from the Rolling Stones expresses a powerful economic idea?
 - What three questions define any economic system?
 - What three things did Karl Marx identify as the "factors of production" -- or, those things you need to have in order to produce goods?
 - In a planned economy, who controls the factors of production?
 - A planned economy is --not-- the same thing as communism. What single sentence did Karl Marx use to sum up the theory of communism?
 - How many countries in world history have ever truly been communist?
 - If an economy is completely controlled by the government, right down to the number of shoes that should be produced, it is referred to as ----.
 - In a free market economy, who owns the factors of production?
 - In a free market economy, why do businesses produce a certain good?
 - Explain the concept of the "invisible hand."
 - According to the video, there are some things that governments must do because free markets won't. Name some of these things.
 - In what ways does the U.S. government tell car producers what to produce and how to produce them?
 - Which is more common among modern economies, to be completely free market or completely free?
 - What nation was explained as an example of a command economy where production is entirely controlled by the government?
 - What nation was explained as an example of a free market with private property, few taxes, and few regulations?
 - Most economies ("the rest of the world") are given what label?
 - Who are the three big players in the circular flow model of an economy?
 - In the same model, which two markets are linked together by buying and selling activities?
 - What are the two primary ways the government gets the money it spends?
 - Over time, Denmark and Canada have added more "planned economy" elements to their economies. Which nation was cited as having added more "free market economy elements?"
 - What is the ideal amount of government involvement in the economy?
 - What did economist Thomas Sowell claim about economics providing solutions to problems?
 - What do mixed economies appear to be better at handling?

- Crash Course #4: Supply & Demand (https://www.youtube.com/watch?v=g9aDizJpd_s)
 - What do most people take for granted?
 - The key to markets is voluntary exchange. What is that?
 - According to voluntary exchange, if a lifeguard takes a job paying \$12.00 per hour, what must be true?
 - Markets are very good at allocating scarce resources toward what?
 - Markets generate information that guides buyers and sellers toward what they should be buying or selling.
 - How do markets encourage suppliers to provide high-quality goods?
 - There are two conditions that make it hard for businesses to take advantage of people. Record at least one of these conditions.
 - Every dollar spent signals two things to producers. What are they?
 - If there's only one thing you should learn in economics, what would it be?
 - What is the law of demand?
 - How do demand and supply curves slope?
 - If the price of an item is high, there is likely to be what economic condition?
 - If the price of an item is low, there is likely to be what economic condition?
 - What is an equilibrium price?
 - What store was discussed as being a place where price has nothing to do with realistic economics?
 - Something like a change in weather will typically shift which of the curves on a crop's supply and demand graph?
 - What four things can happen in a market to change the price of a good?
 - Suppose the price of oranges falls, so the government pays money to orange farmers to help them out. What would be the usual view of an economist regarding the government's decision?
 - What product was mentioned as example of a good with a lot of price volatility -- the price changes all the time?
 - If the supply and demand curves both move due to market conditions, what will move with them?
 - What two examples were given as goods for which the free-market approach has serious problems?
 - If you could sell human hearts, what would a criminal be motivated to do?
 - If you could solve some problems with a market approach, but a completely free market would cause other problems, then what kind of market should be established?
 - Why are the laws of supply and demand not absolute laws like the law of gravity?

- Crash Course #5: Macroeconomics (<https://www.youtube.com/watch?v=d8uTB5XorBw&t=4s>)

True or False:

- Macroeconomics is the kind of economics that shows up in the news most often.
- By the time the Great Depression struck, economists had become fairly expert at measuring the overall economy.
- Economics is classed as a traditional science, much like chemistry and physics.
- Policy makers generally have three major goals. These are: keep the economy growing, limit unemployment, and keep prices high.
- The most important measure of an economy is GDP, which stands for gross domestic product.
- Because GDP is supposed to give a picture of the whole economy, it includes every transaction that happens in a nation during a particular time frame.
- GDP is measured in number of things produced, no matter what those things were worth.
- "Nominal" GDP ignores inflation, but "real" GDP takes it into account.
- GDP figures indicate that the Greek economy was much worse in 2013 than it was in 2008.
- Officially, the word "recession" means that an economy has had at least six straight months of decreasing GDP.
- Officially, the word "depression" means that the economy has had at least two straight years of decreasing GDP.
- GDP comparisons of different countries are valid because all economies measure GDP using the same guidelines.
- The unemployment rate only includes unemployed people who are trying to become employed.

- The unemployment rate has a factor built in to account for people who work but are actually underemployed because they don't get many hours.
- The goal for most nations is to have a 0% unemployment rate.
- Suppose that a person is trained to make chariot wheels for a living but can't find a job doing it. This is an example of "structural unemployment."
- The true employment goal nations shoot for is to have no unemployment due to recessions
- The GDP growth rate and the unemployment rate tend to move in opposite directions -- one falling while the other is rising.
- Deflation happens when prices are falling.
- Most economists agree that deflation has a strong positive effect on the economy.
- A "contraction" is when the economy is going too slow.
- The business cycle is basically a series of booms and busts.
- GDP is made up of a total of two components: consumer spending and business spending.
- In the U.S., consumer spending is more than half of GDP.

Part IV: Survey

1. Check off the news publications you have at home/have regular access to:
 - Houston Chronicle
 - Time or Newsweek magazine
 - The Economist
 - Other _____
2. Do you expect to play a sport: Fall _____ Winter _____ Spring _____
3. Do you expect to work after school most/every day? YES NO
4. I will attend a weekend practice test in the spring. YES NO If NO, why? _____
5. My favorite subject is: English History Science World Language Math
6. My least favorite subject is: English History Science World Language Math
7. My favorite activities outside of school are _____
8. What would I like to study in college? _____
9. What would I like to do for a living? _____