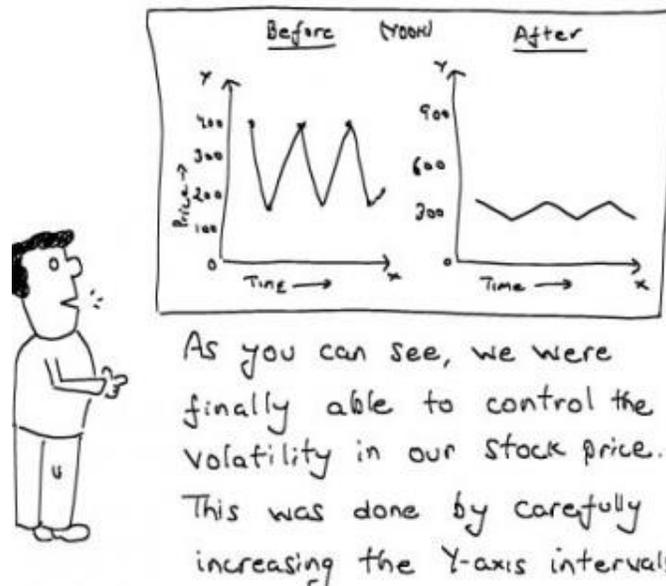


# AP Microeconomics

## Pre-Semester Assignment



Ms. Adsit

2019-2020 School Year

Welcome to AP Microeconomics! 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.

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 microeconomist”
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 Microeconomics – Adsit	

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

#### **Unit 1 Vocabulary**

1. Economics
2. Incentives
3. Resource
4. Scarcity
5. Opportunity costs
6. Ceteris paribus
7. Trade-off
8. Production Possibilities Curve\*
9. Efficient
10. Inefficiency
11. Overextended
12. Constant opportunity costs
13. Increasing opportunity costs
14. Trade
15. Gains from trade
16. Specialization
17. Comparative Advantage (CA)
18. Absolute Advantage (AA)
19. Terms of trade
20. Trade ranges
21. Competitive market
22. Supply and demand model\*
23. Quantity demanded
24. Demand curve
25. Law of demand
26. Change in demand
27. Substitutes
28. Complements
29. Normal goods
30. Inferior goods
31. Quantity supplied
32. Supply curve
33. Law of supply
34. Change in supply
35. Input
36. Equilibrium
37. Surplus
38. Shortage
39. Price controls
40. Price ceiling
41. Price floor
42. Inefficient allocation to consumers
43. Minimum wage
44. Inefficient allocation of sales among sellers
45. Quality control/quota
46. Demand price
47. Supply price
48. Wedge
49. Quota rent
50. Deadweight loss

### 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](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 #4: Supply & Demand ([https://www.youtube.com/watch?v=g9aDizJpd\\_s](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 #18: Microeconomics (<https://www.youtube.com/watch?v=3midaQqm7NM>)
 

**TRUE OR FALSE:**

    - Microeconomics is a branch of economics that looks at individual markets and the decisions made by consumers, businesses, and governments.
    - In economics, "marginal" means about the same thing as "less important."
    - In marginal analysis, economists look at whether the extra benefit created by one more unit of something outweighs the extra cost that one more unit will cause to occur.
    - When the marginal benefit of hiring one more worker is less than the marginal cost of the worker, a company will stop hiring additional workers.
    - According to the Law of Decreasing Marginal Utility, as people keep consuming a specific item, they get more and more satisfaction from their consumption.
    - A "util" is like a happiness point based on the satisfaction someone gets from using a product.

- Most people who use marginal analysis on a daily basis are professional economists.
- Marginal analysis tends to make businesses avoid giving people deals for buying more.
- The shape of the demand curve demonstrates the law of diminishing marginal utility.
- Supply curves can be viewed as graphs of marginal benefits.
- Equilibrium is an efficient point because the marginal benefit of the last unit consumed equals the marginal cost of making that unit.
- Water has a total utility value that is extremely high, which means that its marginal utility value is also extremely high.
- If diamonds fell from the sky like water does, they would still command a very high price.
- Scarcity alone determines prices.
- The availability of substitutes for a good can help to keep down the price of that good.
- Demand for gasoline is not fairly inelastic in part because there are few close substitutes.
- Demand for healthcare and coffee tends to be very elastic, meaning that customers are quite sensitive to changes in price.
- Demand for pizza is very elastic since if the price goes up, people can choose to eat other kinds of food instead.
- The supply of Van Gogh paintings is completely inelastic, not changing at all in response to price.

#### 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? \_\_\_\_\_