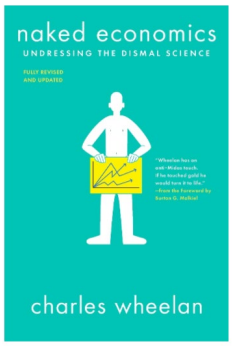
AP ECONOMICS
Summer Reading 2026

"An economist is a man who states the obvious in terms of the incomprehensible."
- Alfred A. Knopf

"An economist is an expert who will know tomorrow why the things he predicted yesterday didn't happen today." - Laurence J. Peter

"An economist is someone who sees something that works in practice and wonders if it would work in theory." - Ronald Reagan

Welcome to AP Economics! To aid you in your journey towards the enlightenment of economic thinking, the following book has been chosen as your summer reading:



Naked Economics:
Undressing the Dismal Science
by Charles Wheelan
(3rd edition [2019] with the teal cover)

This book is available online or at any retail bookstore.

After reading the book, please complete the following questions for discussion. Your responses must be typed, and they will be due on* ***Monday, August 31st (Blue Day)*** */* ***Tuesday, September 1st (Green Day)****.*

Chapter 1: The Power of Markets
- What are the two basic assumptions that economists make about individuals and firms?
- What is the role and significance of prices in the market economy?
- What's so great about a market economy anyway?

Chapter 2: Incentives Matter
- Explain how each of the following relates to efficient outcomes in a market economy: Adverse selection, "perverse incentives", principal-agent problem, and the prisoner's dilemma.

Chapter 3: Government and the Economy
- In your own words, explain what an externality is.
- Besides addressing externalities, what other important and beneficial roles does government play in our market economy?

Chapter 4: Government and the Economy II
- What are the main reasons why government should only take a limited role in a market economy?

Chapter 5: Economics of Information
- Wheelan explains that basic economic models assume that all parties have "perfect information." How does "informational asymmetry" undermine our market economy?

Chapter 6: Productivity and Human Capital
- After reading Wheelan's argument, do you agree that Bill Gates should be so much richer than you?
- Evaluate the following statement from the bottom of p. 148: "We should not care about the gap between rich and poor as long as everybody is living better."

Chapter 7: Financial Markets
- Explain how get-rich-quick schemes violate the most basic principles of economics.
- What advice about investing in the stock market did you find most interesting and/or useful?

Chapter 8: The Power of Organized Interests
- Why have mohair farmers earned a subsidy from the federal government for decades?

Chapter 9: Keeping Score
- Why is a nation's GDP a good measure of its economic well-being and progress?
- Why is a nation's GDP a poor measure of its economic well-being and progress?

Chapter 10: The Federal Reserve
- What is the primary role of the Federal Reserve?
- What is the significance of this role?
- What is deflation, and why is it worse than inflation?

Chapter 11: International Economics
- Describe the economic theory of Purchasing Power Parity, and why it often does not hold true.
- Explain the "dysfunctional economic relationship" between the United States and China. What are the significant risks for each side?

Chapter 12: Trade and Globalization
- What is the "good news about Asian sweatshops"?

Chapter 13: Development Economics
- After reading this chapter, what do you believe are the two greatest obstacles preventing poor countries from becoming rich?

Epilogue: Life in 2050
- What economic question do you have about life in 2050? About today's economy? About life in general?

**Your answers need not be extensive but should answer the questions completely and thoughtfully.*

Questions? Contact one of your friendly AP Economics teachers:

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