2026-2027 AP Microeconomics
Summer Assignment

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Welcome to AP Microeconomics! As we head into our summer vacation, we want to give you a brief description of the course expectations as well as provide you with your summer assignment.

This course will move at an accelerated pace and expectations will be high. AP Economics is intensive in reading and graphing and we will be exploring many economic theories and principles throughout the year. We will be studying current events in class so you will want to get into the habit of staying current with the events of the world around us. Take some time this summer to get comfortable with some economic websites, such as www.economist.com. If this is your first AP course, you should spend some time at AP Central www.apcentral.collegeboard.com. The site has many resources for students and parents on a number of topics and it also has complete course descriptions of all the AP courses.

Summer Assignment (Required):

In your textbook, *Economics (McConnell, Brue, and Flynn),* read the first two chapters (pages 1-18, 25-44). After reading the chapters, review the learning objectives and key terms/concepts on the sheet attached to this document. You should define each of the ***key terms/concepts listed (on a sheet of paper or index cards)*** and answer the questions. The ***questions must be answered in full sentences and be handwritten***. **There will be an assessment on this content during the first week of class**.

You will be turning in your completed work **on the first day of class. CREDIT WILL NOT BE GIVEN FOR LATE SUBMISSIONS.** We can be reached by email during the summer with questions regarding the summer work at the emails listed above.

Have a great summer! We look forward to seeing you in the fall!!

-Mrs. McGuigan & Ms. Rentz

AP Microeconomics
Note Taking Outline: Economics, 22th Edition, By McConnell, Brue, and Flynn

Chapter 1: Limits, Alternatives, and Choices

Learning Objectives:

- Define economics and the features of the economic perspective
- Describe the role of economic theory in economics
- Distinguish microeconomics from macroeconomics and positive economics from normative economics
- Explain the individual's economizing problem and how trade-offs, opportunity costs, and attainable combinations can be illustrated with budget lines
- List the categories of scarce resources and delineate the nature of society's economizing problem
- Apply production possibilities analysis, increasing opportunity costs, and economic growth
- Explain how economic growth and international trade increase consumption possibilities

KEY TERMS AND CONCEPTS Define each of the following terms on a separate piece of paper or index card		
Economics	Positive economics	Consumer goods
Economic perspective	Normative economics	Capital goods
Scarcity	Economizing problem	Production possibilities curve
Opportunity costs	Budget line	Law of increasing opportunity costs
Utility	Economic resources	Economic Growth
Marginal analysis	Factors of production	
Economic principle	Land	
Other-things-equal-assumption	Labor	
Microeconomics	Capital	
Macroeconomics	Entrepreneurial ability	
Aggregate	Entrepreneurs	

Answer each of the following questions on a separate sheet of paper. **Answers should be in your own words (do not copy paste from the textbook) and in full sentences.**

1. In one paragraph, explain how individuals and economics confront the problem of scarce resources.
2. What is an opportunity cost? How does the idea relate to the definition of economics? Which of the following decisions would entail the greater opportunity cost: allocating a square block in the heart of New York City for a surface parking lot or allocating a square block at the edge of a typical suburb for such a lot? Explain.
3. Cite three examples of recent decisions that you made in which you, at least implicitly, weighed the marginal cost and marginal benefit.
4. What is "utility" and how does it relate to purposeful behavior?
5. Make (a) positive economic statement of your choice, and then (b) a normative economic statement relating to your first statement.
6. Why is money not considered to be a capital resource in economics?
7. Why is entrepreneurial ability considered a category of economic resource, distinct from labor?
8. Suppose that, on the basis of a nation's production possibilities curve, an economy must sacrifice 10,000 pizzas domestically to get 1 additional industrial robot it desires, but it can get the robot from another country in exchange for 9,000 pizzas. Relate this information to the following statement: "Through international specialization and trade, a nation can reduce its opportunity cost of obtaining goods and thus move outside its production possibilities curve."

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Chapter 2: The Market System and the Circular Flow

Learning Objectives:

- Define and explain laissez-faire capitalism, the command system, and the market system
- List the main characteristics of the market system
- Explain how the market system answers the five fundamental questions of what to produce, how to produce, who obtains the output, how to adjust to change, and how to promote progress
- Explain the operation of the "invisible hand"
- Describe the mechanics of the circular flow model
- Explain how the market system deals with risk.

KEY TERMS AND CONCEPTS Define each of the following terms on a separate piece of paper or index card		
Economic system	Freedom of choice	"Invisible hand"
Laissez-faire capitalism (pure capitalism)	Self-interest	Circular flow diagram
Command system (socialism or communism)	Competition	Households
Market system (mixed economy)	Specialization	Businesses
Market	Division of Labor	Product market
Private property	Medium of Exchange	Resource market
Freedom of enterprise	Money	

Answer each of the following questions on a separate sheet of paper. **Answers should be in your own words (do not copy paste from the textbook) and in full sentences.**

1. Contrast how a market system and a command economy try to cope with economic scarcity.
2. In a few paragraphs, explain the 3 main economic systems and how they allocate resources
3. Distinguish between the resource market and the product product market in the circular flow model. In what way are businesses and households both sellers and buyers in this model? What are the flows in the circular flow model?
4. Evaluate and explain the following statements:
   a. The market system is a profit-and-loss system.
   b. Competition is the disciplinarian of the market economy.
5. In a sentence, describe the meaning of the phrase "invisible hand".