

AP Macroeconomics | Summer Assignment

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Welcome to AP Macroeconomics! I am looking forward to meeting you (or seeing you again)! This course offers an in-depth exploration of the economy as a whole and the forces that shape economic growth, stability, and decision-making on a national and global scale. Throughout the year, we will analyze topics such as inflation, unemployment, economic growth, fiscal and monetary policy, the banking system, and international trade, while learning how governments and central banks attempt to influence the economy.

Your summer assignment will be used to give you a head start on the course in order to make you a little more prepared when we meet in September and it will consist of 2 parts. In **Part 1**, you will complete a guided outline using a worksheet and a video that will be provided. In **Part 2**, you will take a short quiz when the school year starts to check your understanding of the material. (You may use your completed notes from Part 1 during the quiz.)

If you have ANY questions, do not hesitate to reach out and I will get back to you ASAP!

Enjoy your summer and I will see you in September!

Part 1:

The worksheet and video will help you become familiar with the basic economic principles we'll build on throughout the year. It covers concepts such as scarcity, resource allocation, the production-possibilities curve, comparative advantage, cost-benefit analysis, and marginal analysis and consumer choice. **The video helps you answer every part of the worksheet.**

[Macro Unit 1 Video](#)



MACROECONOMICS UNIT 1

Basic Economic Concepts



BIG PICTURE IDEAS

- #1. Economics focuses on and how it requires individuals, businesses, and governments to make choices.
- #2. The production curve shows the different combinations of two goods that can be produced using all of a country's to the fullest.
- #3. The PPC can outward when there are more resources or more productivity from new .
- #4. Countries that have a advantage can specialize in the production of specific goods and trade with other countries at a lower cost than if they produce everything on their own.
- #5. Changes in markets can be explained using a and graph.

■ Topic 1.1- Scarcity

1. Scarcity is the idea that individuals and society have unlimited but limited .
2. The four factors of production are , labor, , and entrepreneurship.
3. What is the difference between physical capital and human capital?

■ Topic 1.2- Opportunity Cost and the PPC

Use the chart to create a PPC on the graph. Label a point showing each of the following: I = Inefficient, X = Efficient, U = Unattainable

	A	B	C	D	E
Capital goods	0	1	2	3	4
Consumer goods	30	29	25	15	0

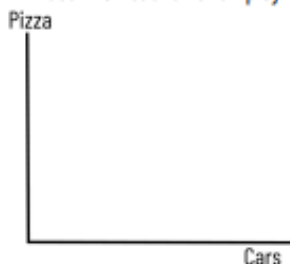


4. What is the opportunity cost for moving between these combinations?

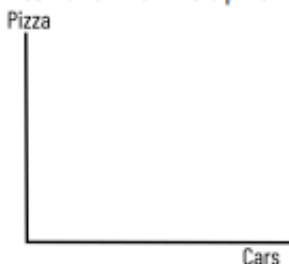
From A to B	From E to D
From B to C	From C to A
5. Assume combination D was produced rather than combination B. Will this economy's growth rate increase, decrease, or stay the same? Explain.
6. Products with opportunity cost have similar resources and result in a straight line PPC. Products with opportunity cost have different resources and result in a bowed out PPC.

Draw the PPC curve for each of the following scenarios using pizza and cars.

7. A recession causes unemployment



8. Consumers want more pizza



9. More resources to produce cars



■ **Topic 1.3- Comparative Advantage and Trade**

10. There are two types of comparative advantage questions: _____ questions and _____ questions.

The table shows the number of planes and cars each country can make with the same number of resources.

	Number of Planes	Number of Cars
Italy	10	40
Germany	25	50

11. Which country has an absolute advantage in planes?
12. What is Italy's opportunity cost for producing one car?
13. Which country has a comparative advantage in producing planes? Explain.
14. Identify the terms of trade that can benefit both countries.
1 plane for _____ cars

The table shows the number of hours it takes to produce one ton of beef or one boat.

	Ton of Beef	One Boat
Chile	20	60
Brazil	10	20

15. Which country has an absolute advantage in beef?
16. What is Chile's opportunity cost for producing beef?
17. Which country has a comparative advantage in producing boats? Explain.
18. Identify the terms of trade that can benefit both countries.
1 boat _____ tons of beef

■ **Topic 1.4- Demand**

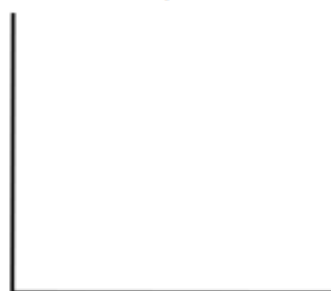
19. The law of demand states there is an inverse (or negative) relationship between _____ and _____.
20. Why is the market demand curve downward sloping?
21. What are the five shifters of demand?

■ **Topic 1.5- Supply**

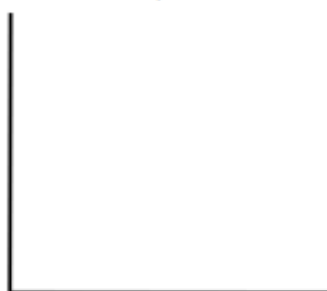
22. The law of supply states there is a direct (or positive) relationship between _____ and _____.
23. Why is the market supply curve upward-sloping?
24. What are the five shifters of supply?

■ **Topic 1.6- Market Equilibrium, Disequilibrium, and Changes in Equilibrium**

Graph #1



Graph #2



25. Draw a shortage on graph #1. Label the price (P_1) and quantity supplied (Q_s) and demanded (Q_d).
26. Draw a surplus on graph #2. Label the price (P_2) and quantity supplied (Q_s) and demanded (Q_d).
27. If market forces begin to return graph #2 to equilibrium the quantity demanded will _____ and quantity supplied will _____.



MACROECONOMICS UNIT 1

Basic Economic Concepts



■ Topic 1.6- Market Equilibrium, Disequilibrium, and Changes in Equilibrium

28. A change in _____ does not shift the demand curve or the supply curves. Instead, it moves along the curves.

29. Draw a demand increase

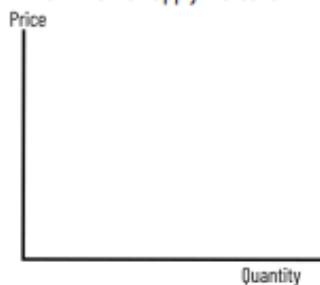


30. Draw a demand decrease



33. What is the double shift rule?

31. Draw a supply increase



32. Draw a supply decrease

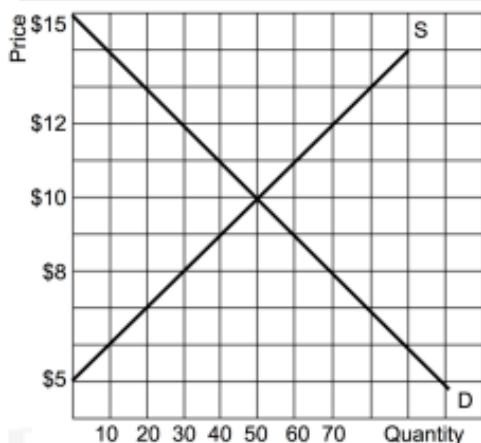


34. Draw an increase in demand AND an increase in supply. What happens to the equilibrium price and quantity?



35. For each scenario, identify the initial change (↑, ↓, or no change) in demand or supply, price, and quantity of electric cars.

Scenario	Demand	Supply	Price	Quantity
Increase in the price of gas-powered cars, a substitute for electric cars				
The effect on car manufactures from a significant increase in the price of labor				
Decrease in the global incomes discourages foreigners from purchasing electric cars				
Decrease in the price of robotic technology used to produce electric cars				
The government prevents the price of electric cars from increasing (price ceiling)				



Use the market for pizza to the left to complete the following:

36. Calculate the amount of the shortage when the price is \$8.

37. Calculate the amount of the surplus when the price is \$11.

38. Identify a specific scenario that would cause the equilibrium price to increase and the equilibrium quantity to decrease.

39. Identify a specific scenario that would cause the equilibrium price and quantity to decrease.

40. Explain the difference between a change in demand and a change in quantity demanded.