

## Tilton School Humanities Department

### AP Economics 2023-2024 - Summer Work Assignments and Deadlines

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AP Economics is designed as a full-year college-level course in Economics that prepares students to take the AP Microeconomics exam in May. The curriculum is driven in large part by the criteria outlined by the College Board for this course. The summer work for this course is designed to provide the student with an introduction to the basic foundation of economic concepts and allow them to explore how economics can be observed and applied in the present day. The summer work submissions will provide the instructor with an understanding of each students' level of familiarity and basic knowledge of economic topics.

Economics is fundamentally an evaluation of costs and benefits. You should approach your summer work by understanding these fundamental concepts. You essentially have three options:

1. Complete the summer work in earnest and submit it by the first day of class.
  - a. Cost analysis: You'll have to give up some of your summer vacation (approximately 8-12 hours) .
  - b. Benefit analysis: You'll be well-prepared for the rigor of the class, able to move quickly as we build upon this basic knowledge, and will start your school year somewhat stress-free.
2. Procrastinate and do all the work the day before you arrive on campus.
  - a. Cost analysis: Your brain will not process the information; you will simply be memorizing or filling in the information without synthesizing any of it. This will make it feel like you are learning these concepts for the first time when we begin classes, and your teacher will likely be able to tell from the quality of your work that you put it off until the last minute.
  - b. Benefit analysis: You don't have to give up any of your summer vacation, and the time required to complete the work will be significantly less.
3. Don't do the summer work at all and blame the internet/late enrollment/being blissfully unaware of the summer work requirement.
  - a. Cost analysis: You will struggle with the course content, and may even be excused from the class altogether because you did not demonstrate a real interest in doing the required work. If you remain in the class, you will be stressed out over the rigor of it for an extended period of time.
  - b. Benefit analysis: No loss of any vacation time.

In evaluating the costs and benefits of each of these options, you will hopefully see that **Option 1** is the only one that actually benefits you and sets you up for success. The link for the reading is included [here](#).

Summer work is due, in its entirety, on the first day of class.

**Section 1: Essential Vocabulary**

Define each term in your own words and then think of real life example or application.

Vocabulary Term	Definition	Application
Scarcity		
Opportunity costs		
Utility		
Marginal analysis		
Economic principle		
Ceteris paribus		
Microeconomics		
Macroeconomics		
Aggregate		
Positive economics		
Normative economics		
Factors of production (Identify all 4)		
Consumer goods		
Capital goods		
Production Possibilities Curve		
Law of increasing opportunity costs		
Equilibrium		
Laissez-faire capitalism (pure capitalism)		

Command system (socialism or communism)		
Market system (mixed economy)		
Perfect Competition		
Market		
Specialization		
Division of Labor		
Medium of Exchange		
"Invisible hand"		
Circular flow diagram		
Households		
Product market		
Resource market		

### **Section 2: Micro or Macro?**

**Decide which of the following concepts are microeconomics or macroeconomics.**

Write "Micro" or "Macro" on the line next to each scenario.

- \_\_\_\_\_ "The unemployment rate in Germany is currently at the highest rate since the year 2006."
- \_\_\_\_\_ "The profits of Target seem to be promising for next year."
- \_\_\_\_\_ "The local Starbucks finds that it will generate more total revenue by increasing the number of workers they have."
- \_\_\_\_\_ "Based on studies for aggregate demand among consumers for technological products, we can infer that aggregate supply must increase."
- \_\_\_\_\_ "The GDP increased 5% in the second quarter of the year."
- \_\_\_\_\_ "IBM plans to spend \$300 million on research and development next year."

### **Section 3: Positive or Normative?**

**Decide which of the following scenarios can be described as being positive or normative economics. Write "Positive" or "Normative" on the line next to each scenario.**

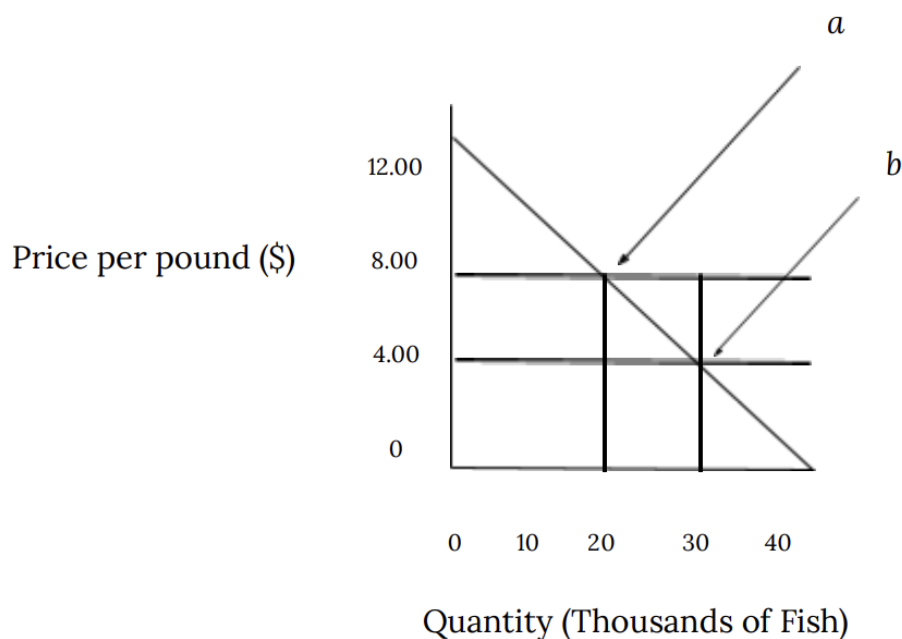
- \_\_\_\_\_ Government spending should be a drag on output over the next

two years as tax breaks have been eliminated.

2. \_\_\_\_\_ Tax rates have become more progressive over the last 10 years.
3. \_\_\_\_\_ Inflation has caused an increase in the general price level.
4. \_\_\_\_\_ The government should make long run goals to eliminate debt problems in the future.

#### Section 4: Determining the Slope

Calculate the slope of the line on the graph below. The following is an economic graph showing a direct relationship between the quantity of fish and its price per pound. First, explain why there is a downward sloping line. Then, determine if there is a direct OR inverse relationship between quantity and price of fish.



1. Why is there a downward sloping line? (Explain the relationship of price to fish and why it evolves as displayed).
2. Is the relationship depicted in the graph direct or inverse? Use the text to explain how you know... (Appendix section of text packet)
3. Calculate the slope of the line from point a to point b. Use the textbook (appendix section of text packet) and negative slope equation to determine the value.

#### Section 5: Production Possibilities

Break down the production possibilities table below showing the hypothetical relationship between the production of automobiles and train cars in an economy.

Combination	Automobiles	Train Cars
A	0	30
B	2	27
C	4	21
D	6	12
E	8	0

1. What is the marginal opportunity cost of producing the second unit of automobiles?
2. What is the total opportunity cost of producing the second unit of automobiles?
3. Explain the problem with producing inside of the production possibilities curve.
4. Why might focusing on the production of capital goods be more beneficial than consumer goods?

### **Section 7: Graphing Economic Concepts**

**Create specific graphs according to production possibilities and optimal allocation of resources (Marginal Benefit equals Marginal Cost). Make sure to include all letters for each drawing. Answer the corresponding questions following your graphs.**

1. Draw your own Production Possibilities Curve between cars and computers.
  - a. Place cars on the vertical axis, and computers on the horizontal axis.
  - b. Create a point "A" where society is able to reach but is an inefficient combination of resources.
  - c. Create a point "B" where society cannot attain the combination due to lack of available resources.
  
2. Draw your own Marginal Cost and Marginal Benefit Curve.
  - a. Choose your own prices along the vertical axis, and good of choice on the horizontal axis.

- b. Create a point “A” which indicates the optimal allocation between marginal cost and marginal benefit between both curves. (MC=MB)
- c. Create a point “B” which indicates the misallocation between marginal cost and marginal benefit along either curve.

3. What will society do if marginal cost exceeds marginal benefit? What if marginal benefit exceeds marginal cost? Explain why changes occur.

4. Can the Production Possibilities Curve shift? If so, which directions can it move and what causes such shifts?

### **Section 8: Circular Flow Model**

**Utilize the circular flow model (page 39) to answer and explain the following questions below.**

1. Is there a difference between the upper and lower money flows in the circular flow model? Explain the interactions you see.

2. Can households and businesses function independently without reliance on the other? Why or why not?

3. Why is this model referred to as “the circular flow”. Use your own words to define and explain what the image depicts and how the interactions work.

### **Section 9: Economics in YOUR life**

**Create a paragraph that uses ANY economic concepts from the reading to connect to a personal experience in you or your family's life (Use the text packet for ideas and/or previous questions to aid).**