

Introduction

Advanced Placement courses are college level courses, and therefore very demanding of your time and skills. Homework should average a minimum of **60 minutes nightly**, and usually involves keeping up with assigned readings or completing practice problems. Late work is not accepted in this course, so be sure you are in the habit of using your time wisely to avoid accumulating zeroes. You will receive a course syllabus with more specific details when the class begins.

As an Advanced Placement student, you are expected to learn some background knowledge prior to starting the course. For this, I have selected a book for summer reading. In addition to the reading there are corresponding questions that need to be completed before the first day of school.

Summer Reading Assignment

Read the book ***Naked Economics: Undressing the Dismal Science***, Charles Wheeland, W.W. Norton, 2002-2003 (Paperback/ISBN 0-393-32486-9). You may check the book out from a library, or purchase your own copy.

Answer all portions of the focus questions, use complete sentences, be grammatically correct, and most importantly use your own thoughts and ideas. This assignment must be typed using a 12 point Calibri font. Use a one inch margin on all sides and single space. You should double space between questions and parts. **A cover sheet is required.**

STUDENTS ARE RESPONSIBLE FOR COMPLETING ALL PARTS OF THE ASSIGNMENT OVER THE SUMMER AND TURNING IT IN THE FIRST DAY OF CLASS.

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### ***Naked Economics: Undressing the Dismal Science* – Focus Questions**

#### **Chapter 1: The Power of Markets**

Summarize this chapter. Be sure to include the following information.

- Define individuals and firms according to the author
- 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 why incentives matter.

What do you think about the author’s ideas on black rhino conservation?

Explain what *perverse incentives* are and give two examples from a high school student’s life.

#### **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?

Give an example of an externality you are familiar with in your “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?

In your opinion (consider your “economy”), what is one acceptable role of government, and one unacceptable role of government. Defend your position.

### **Chapter 5: Economics of information**

What does *information asymmetry* have to do with the hiring process, in regards to gender?

What does the author feel about this discrimination? Do you agree with him? Explain. What do you feel about his long term solution to this problem?

Explain the problem of private health insurance. Why do the costs continue to rise? What is the problem with public health insurance? Discuss *adverse selection*, as it relates to this chapter.

### **Chapter 6: Productivity and Human Capital**

The author discusses the symptom of being poor, and the illness of being poor. What does the author mean? Do you agree with him? Explain.

How does the poverty line right now compare to 100 years ago?

Why is America like a real life version of “Revenge of the Nerds”?

Define human capital. What’s so important about human capital?

### **Chapter 7: Financial Markets**

What does the *efficient market* theory have to do with financial markets?

Discuss the positives and negatives of the theory.

Why do Wall Street “types” not like it?

Explain the coin flipping experiment as it relates to investment diversification.

### **Chapter 8: The Power of Organized Interests**

Why have mohair farmers earned a subsidy from the federal government for decades?

How does an understanding of economics also help us understand politics?

### **Chapter 9: Keeping Score**

Explain how the average American is three times as rich as they would have been in 1950.

Explain the most effective “knock” on GDP.

What does the author think about the effectiveness of fiscal policy?

Explain how a current account surplus/deficit can be good and bad.

### **Chapter 10: The Federal Reserve**

What is the drastic consequence of poor monetary policy the author discusses at the start of the chapter? Do you agree with this argument? Explain.

What is the relationship between governments who owe money, government policies to fight inflation, and monetary policy?

Does this change your opinion of how monetary policy is used by the US government?

### **Chapter 11: Trade and Globalization**

What is the relationship between specialization and productivity?

Discuss, in two paragraphs or less, your opinions on globalization after reading this chapter. Cite data from the book to prove your point. Finally, discuss the problem of “good intentions” on globalization and “sweatshops.” What do you propose to solve this problem?

### **Chapter 12: Development Economics**

Explain and discuss what we can do to help developing nations.

What do these nations need to do to help themselves?