

SUMMER ASSIGNMENT FOR AP MACRO ECONOMICS SUMMER 2015
LONG BRANCH HIGH SCHOOL /Mr. LIPMAN

If you are reading this it means that you will be taking AP Macro Economics in September. In order to accomplish the goals of this course there is a small summer assignment that must be completed. The assignment is due on the second day of school. Any assignment handed in late will lose 50% of its grade. No assignment will be accepted after the fourth day of school. The assignment will count as a full summative test grade for the first marking period. As always, all submitted work must be properly proofread, double spaced, and typed. If you have questions over the summer you can always email me at nlipman@longbranch.k12.nj.us.

You are to read the book **Murder at the Margin** which was written by Marshal Jevons. The ISBN for the book is 978-0-691-16401-4. The book was originally published in 1993 and then re-published in 2014 and is readily available in paperback from the public library or any bookstore. It can also be purchased used on line for as low as \$2.00 from Amazon.com or other internet companies. If you cannot obtain this book please contact me immediately.

The book is a quick paced murder mystery in which the “star” is an economist who seeks to solve the murder using economic theory. Many of the terms that we will use during the year are explained in the book. Your assignment is to read the book and define the terms listed below **“AS USED IN THE BOOK”**. Do not merely look up the terms on the internet since you will not understand how they work in real life situations. I would expect that you will first read the book and then discuss how each term is used in the story. I have listed the terms below and they are essentially listed in chronological order from the book. I would expect that you will need to write between 3 to 5 sentences for each word. Please type out the word and then your explanation next to it. Please complete the work in the same order that the words appear in this assignment. Your work will be graded for the quality of its analysis, its content and its grammar. If the work is found to be copied and pasted from another source, without proper citation, you will receive a zero for the assignment. I strongly urge you to read the introduction chapter before reading the book in order to fully understand the terms being presented. In the

introduction the author states that “An economist believes that if someone does something that is apparently irrational there must be a hidden rationality behind it”. By reading the book it is my hope that you will begin to understand what it meant by that phrase.

TERMS USED TO BE DEFINED

1. Opportunity Cost
2. Law of Demand
3. Utility Function
4. Inventory
5. Profit Maximization
6. Negative Returns
7. Interdependent Utility Function
8. Duty Free (“aka free port”)
9. Arbitrage
10. “No such thing as a free lunch”
11. Utility Maximization
12. “All Else Being Equal”
13. Unplanned Economy and Centrally Planned Economy
14. Adam Smith and his theory of economics
15. Trade offs
16. Theory of Capital
17. Dominant Solution
18. Prisoner’s Dilemma
19. Economic Game Theory
20. Rational Expectations
21. Risk Taking