

Summer Assignment for AP Macroeconomics
Instructor - Mrs. Emily Rodriguez
All assignments will be due on the First Day of School!!!

Welcome to Macroeconomics! This course will promote a new way of thinking about your own choices - in, and out, of economics. You will be able to see the positive and negative result of every choice you make. All of our choices have a cost. An **opportunity cost** is the loss of any type of gain, such as money or time, by choosing to engage in another activity. When we refer to the opportunity cost of a specific resource, we analyze the next-best alternative to the choice you made. For example, there will be opportunity costs depending on how you approach the summer assignment.

Option 1 - Devotion to this assignment. You spend quality time and effort completing this assignment which leads to less stress and significant preparedness. You will also start with a strong grade! **Opportunity cost** - You give up some of your vacation time.

Option 2 - Procrastinate Assignment - You wait until the last minute to complete this assignment which means you got it done and didn't give up a lot of vacation time. **Opportunity cost** - Your work quality suffers and you begin this course with an average grade.

Option 3 - Ignore Assignment - You don't lose any vacation time. **Opportunity cost** - You begin the course with a failing grade and are unprepared for class.

ASSIGNMENT

- **CAREFULLY READ** the text packet - Chapter 1, Appendix, and Chapter 2 (See Attached File)

Note: If you need help with certain concepts, there are several videos online like Jacob Clifford, Heimler's History, etc., that will provide additional eassignment xplanation.

- **PRINT and COMPLETE** the "Macroeconomics Summer Worksheet" handout. Write your answers in dark blue or black ink pen - LEGIBLY and NEATLY. You may write your answers on a separate sheet of paper - you must staple this assignment to your answers.

Important dates:

1. **August 21, 2023** - First Day of School - I will collect the Summer Assignment on this day!
2. **September 7th & 8th** - Exam on Chapter 1, Appendix, and Chapter 2

AP Macroeconomics – Summer Assignment Worksheet

Complete the **READING - Chapter 1, Appendix 1, and Chapter 2** and then answer the questions below.

Answers should be **WRITTEN** in the spaces provided below.

1. Below are six statements. Indicate whether each one pertains to microeconomics (MIC) or macroeconomics (MAC).

- _____ (a) "The inflation rate in Japan is at one of the lowest levels in the last twenty years."
_____ (b) "The profits of Target seem to be promising for next year."
_____ (c) "Demand is expected to fall in the PC industry as technologies flourish."
_____ (d) "The GDP increased 5% in the second quarter of the year."
_____ (e) "Exchange rates between the dollar and Euro have increased by 3% since last fall."
_____ (f) "IBM plans to spend \$300 million on R&D next year."

2. Below are six statements. Identify whether each is a positive or normative statement.

- _____ (a) The GDP seems to have decreased as the US has relied more on outsourcing.
_____ (b) Government spending should be a drag on output over the next two years as tax breaks have been eliminated.
_____ (c) The Federal Reserve Bank has lowered the Fed Funds Rate to 0-.25%.
_____ (d) The government should make long run goals to eliminate future debt problems
_____ (e) Tax rates have increased by 4% since the year 2004.
_____ (f) The general price level rose about 2% last year.

3. The production possibilities table below shows the hypothetical relationship between the production of automobiles and forklifts in an economy.

<u>Combination</u>	<u>Automobiles</u>	<u>Forklifts</u>
A	0	30
B	2	27
C	4	21
D	6	12
E	8	0

- (a) What is the total opportunity cost of producing the second unit of automobiles?
- (b) What is the total opportunity cost of producing the fourth unit of automobiles?
- (e) **Explain** the problem with producing inside of the production possibilities curve.

4. Explain how each event affects production possibilities (shift outward, inward, or neither).

- (a) The quality of education increases and the high school dropout rate decreases.
- (b) The unemployment rate increases from 4.3 to 7.5 percent of the labor force.
- (c) Advances in telecommunications and new technology significantly contribute to economic growth over time.
- (d) The Congress and the President decide to allocate more resources to national defense.
- (e) A nation participates in increased international trade with other nations of the world.

5. Draw a production possibilities curve for corn (place on vertical) and forklifts (place on horizontal) that represents the law of increasing opportunity costs.

- a) Label a point "A" which is unattainable with current resources
- b) Label a point "B" which is attainable yet inefficient
- c) Explain the law of increasing opportunity cost:
- d) List two ways we can get to point "B" in an economy

6. Refer to the circular flow model to address the following.

- a) Is there a difference between the upper and lower money flows in the circular flow model? Explain.
- b) Why is this model referred to as the "the circular flow". Please do NOT use the definition in the text – use your OWN words.

7. What do economists mean when they state that investment is spending on "goods for the future"? Use your own words to explain.

8. Research and define the difference between Monetary and Fiscal Policy. FIND ONE CURRENT EVENT that is an example of either **Monetary OR Fiscal Policy** – write headline below, source and date, discuss how it relates to the concept, and **attach article with this assignment.**

9. How do technological advances affect production possibilities? Give at least two real-world examples in your explanation.

10. What three factors result in economic growth?

11. What are the five fundamental questions of a market economy?

12. In which direction (to whom) does money and resources flow in a circular flow model. See page 33 of text pages

13. In YOUR OWN WORDS... define the following:

- a) macroeconomics
- b) *ceteris paribus*
- c) production possibilities curve
- g) marginal benefit
- h) Four factors of production (or economic resources)
- i) trade-offs
- j) opportunity cost
- k) law of increasing opportunity cost
- l) market economy (system)
- m) command economy (system)

This assignment will be collected on the FIRST day back in school, August 21, 2023. If you are transferred into this class after August 21, please see your teacher to schedule a due date.

BE SURE TO STAPLE ALL PAPERS TOGETHER - DO YOUR OWN WORK!!!