

Congratulations on making a choice to take AP Microeconomics or AP Macroeconomics! You are an economist now so it is important to start thinking like one. Economics is the study of how humans choose to allocate our limited resources in order to deal with the unlimited wants of our society.

For your summer assignment you will be required to complete the **5** assignments that follow. Your summer assignment will be due on the day of orientation, August 15, 2020. This assignment is meant to prepare you for the material that lies ahead and to narrow the “rush” to cover all the material that is required to do well on your AP exam.

You have a choice ahead of you and each choice has costs and benefits to them. All choices in economics and in life have costs and benefits. You can either:

Option A: Dedicate the time and effort to do your summer assignment well.

Cost: Lose some vacation time

Benefit: Start the semester with a good grade and you feel prepared for the AP course.

Option B: Complete the assignment the night before it is due.

Cost: Start the semester off with an okay grade. Lose some sleep. Don't feel prepared for the AP course.

Benefit: Don't lose vacation time and it is possible that your teacher won't be able to tell you did the assignment the night before

Option C: Don't do the assignment at all.

Cost: Start the semester off with an F and having your work cut out for you.

Benefit: No loss of vacation time

There are obvious costs and benefits to each decision and hopefully by analyzing each choice you understand that the rational decision is to choose **Option A**.

Important Stuff

Assignment 1: Your AP Test Prep Book and Course Outline

Purchase the test prep book *5 Steps to a 5: AP Microeconomics/Macroeconomics* by Eric Dodge. Be sure to purchase the 2014-2015 Edition.

You are to read the first two chapters and understand the basic foundation for how the AP exam in the Microeconomics and Macroeconomics content area is administered.

Based on the outline of course topics you read from the first two chapters, choose 1 economic concept that interests you. Print the article then write a summary to explain how the economic concept explains what is happening to the economy.

Assignment 2: Vocabulary

Vocabulary: For each vocabulary term listed below, find the definition then provide an example or application for how the term is used. You have the choice of completing this on the chart provided or on flash cards.

Term	Definition	Application
1. Economics		
2. Resource		
3. Land		
4. Labor		
5. Capital		

6. Entrepreneurship		
7. Scarcity		
8. Opportunity Cost		

9. Microeconomics		
10. Macroeconomics		
11. Trade Off		
12. Marginal Analysis		

13. Marginal Benefit		
14. Marginal Cost		
15. Market Economy		
16. Command Economy		
17. Traditional Economy		
18. Mixed Economy		
19. Private Property Rights		
20. Self-interest or Incentives		

Assignment 3: Costs

Explain the possible “economic cost” of the following scenarios.

1. The opportunity cost of showering and grooming and eating a complete breakfast in the morning:
2. The opportunity cost of not showering and grooming in the morning:
3. The opportunity cost of not eating breakfast:
4. The opportunity cost of sleeping in an extra hour each morning:
5. The opportunity cost of waking up an hour earlier each morning:
6. The opportunity cost of studying one subject more than another:
7. The opportunity cost of buying a new CD by your favorite artist.
8. Every week, Kate plays tennis for two hours, and her grade on each math test is 70 percent. Last week, after playing for two hours, Kate considered playing for another hour. She decided to play for another hour and cut her study time by one hour. But last week, her math grade fell to 60 percent.
 - a. What was Kate's opportunity cost of the third hour of tennis?
 - b. Given that Kate played the third hour, what can you conclude about her marginal benefit and marginal cost of the second hour of tennis?

Assignment 5: Circular Flow Diagram

In the diagram below, explain the information found in the boxes, as well as the meaning of the arrows. Illustrate how this diagram stresses the need for interdependence. Be prepared to share your answers.



Respond to the following items:

1. What is the product market?

2. Give two examples of transactions that you made in a product market within the last week.

3. What is the factor market?

4. Give examples of all factor markets.

5. Explain how the circular flow model reflects interdependence.

6. Where do households get the money to buy food in the product markets?

7. Where do firms get the money to buy raw materials in the factor markets?

8. What determines the price that consumers will pay for a good in the product market?

9. What determines the price that firms will pay for labor in a product market?