

## Summer Reading Assignment: AP Microeconomics

Mr. Cogdill

**Read:** *Naked Economics: Undressing the Dismal Science* by Charles Wheelan

**It can be found in any library, bookstore, or online.**

**Directions:** As you read the book, answer the questions below.

**Expectations:** Work must be typed, 12 point font, single spaced. Label each section with the appropriate number. You do not need to restate the question. Use common sense and complete sentences. The answer for each section should be approximately ½ of a page.

**Due Date:** The first day of the semester. No points will be given for late work.

**If you have any questions, you can reach me at [jcogdill@lisaacademy.org](mailto:jcogdill@lisaacademy.org).**

### Questions:

1. Chapter one. In a paragraph, summarize the main points of chapter one. Note that simply listing the bolded statements will get you zero points. There are key ideas and assumptions in this chapter.
2. Chapter two. Explain why incentives matter. What you think about the author's ideas on black rhino conservation? Explain what perverse incentives are and give examples from a high school student's life.
3. Chapter three. Summarize this chapter in 1-2 paragraphs. Why might government regulations and lawyers be a good thing? Include specific examples.
4. Chapter four. Summarize this chapter in one paragraph. Include specific examples of government involvement as needed. In another paragraph, be sure to discuss the government's "grabbing hand" as it licenses and regulates businesses in third world countries versus Capitalist nations.
5. Chapter 5
  - a. 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?

b. 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.

6. Chapter 6: 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?” What’s so important about Human Capital?

7. Chapter 7: 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.

8. Chapter 9: 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.

9. Chapter 10: 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?

10. Chapter 11: 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?

11. Chapter 12: After reading this chapter, explain and discuss what we can do to help developing nations. What do these nations need to do to help themselves?

**This book will be your introduction to basic Economics; please take your reading seriously and truly READ and absorb the text. Most of all, TRY TO ENJOY IT!**