**AP Macroeconomics Summer Assignment**

**Introduction to Economics**

**Please respond to these prompts IN YOUR OWN WORDS and in complete sentences on a separate sheet of paper. You will use some of your responses to develop arguments for the town hall discussion we will have at the beginning of the semester. The central question we will address during this discussion is this: *How should society organize economic activity?* Please see me before you leave for the summer to check out a copy of *Economics by Example*. Here are some other sources you might want to use:**

**Wikipedia (I know, many teachers think this is blasphemy. This site actually has some pretty strong and well-researched articles on economic and political topics.)**

**Investopedia -** [**www.investopedia.com**](http://www.investopedia.com)

**Heartland AEA databases – We have access to a large number of academic journals, newspaper and magazine articles, online encyclopedias, etc. through Heartland AEA Online Resources at** [**www.heartlandaea.org**](http://www.heartlandaea.org)**. You need the following to access these resources:**

**Username: 1737ccamp**

**Password: haea11**

**If you have any questions, contact me at** **shawn.voshell@dmschools.org****. Have fun!**

1. Define the following terms: economics, microeconomics, macroeconomics, economic incentive, externality, and resource (including the four types).
2. What are the three basic questions all economic systems must answer?
3. Define right libertarianism/free-market capitalism, mixed economy, democratic socialism, command economy, and libertarian socialism. Who is responsible for economic planning and regulation of the economy in each system? How does each system answer the three basic questions? How does each system address the issue of economic incentives? How does/would each system distribute resources? What do you believe are the positives and negatives of each system?
4. Describe the two types of externalities, give examples of each, and explain how each of the systems you wrote about in question #1 would address the issue of externalities.
5. What are public goods and free riders? What’s to love about taxes? (See Chapters 11 and 18 in *Economics by Example*.) How do adherents of each of the systems addressed in question #1 think public goods should be allocated?
6. Describe the views of Garrett Hardin in relation to the “tragedy of the commons.” Also, describe the views of Elinor Ostrom, who was a critic of this concept. Whose arguments do you find more persuasive? Why? Which of the above systems do you think Hardin and Ostrom would have supported? Why?
7. Summarize the views of members of the degrowth and environmental economics movements. What would be some arguments against these movements?
8. Describe “ideal market conditions” (Chapter 11 in *Economics by Example*). Who do some markets fail to bring about the best outcomes for society? In other words, why do market failures exist? Should we even concern ourselves with the best outcome for society, or can we even agree on what is best for society? Why or why not?
9. To what extent do people consider only the private costs and overlook the social costs of their actions? Why do you think this is? (see Chapter 11 in *Economics by Example*)
10. Summarize the views of adherents of these economic schools of thought: classical economics, Keynesian economics, monetarist economics, and neoclassical economics.
11. Define rational choice theory and behavioral economics. What criticisms do behavioral economists make of rational choice theory? Which line of thinking do you agree with? Why? Use examples from your personal experience to support your answer.
12. Define institutional economics. Do you agree with institutional economists’ claim that our information is far from complete? Is the lack of information an important consideration in studying economics? Why do you suppose institutional economics receives less attention than neoclassical economics? (see Chapter 12 in *Economics by Example*)
13. How would you define economic fairness?