

AP Macroeconomics
2019-2020: Summer Reading
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Two required books, plus the choice of supplementary essays linked on this assignment's Google Classroom page.

New Ideas from Dead Economists by Todd Buchholz (New York; Penguin Group, 2007)
Naked Economics: Undressing the Dismal Science by Charles Wheelan (New York: Norton, 2002)

Read the following chapters from New Ideas from Dead Economists. Make sure that the attached study guide questions are completed to provide evidence for your essays.

The Preface
Chapter 1: Introduction: The Plight of the Economist
Chapter 2: The Second Coming of Adam Smith
Chapter 4: David Ricardo and the Cry for Free Trade
Chapter 6: The Angry Oracle Called Karl Marx
Chapter 7: Alfred Marshall and the Marginalist Mind
Chapter 9: John Maynard Keynes: Bon Vivant as Savior
Chapter 10: Milton Friedman and the Monetarist Battle Against Keynes

Read the following chapters from Naked Economics. Make sure that the attached study guide questions are completed to provide evidence for your essays.

The Introduction
Chapter 1: The Power of Markets
Chapter 2: Incentives Matter
Chapter 3: Government and the Economy
Chapter 7: Financial Markets
Chapter 9: Keeping Score
Chapter 10: The Federal Reserve
Chapter 12: Trade and Globalization

Reading guide questions for Naked Economics.

Completion of these questions will provide you with the evidence to complete the required essays. They will **NOT** be collected.

The Introduction

1. Indicate whether this statement agrees or disagrees with the author's introduction:
2. "The author argues in this book that economics is a dry, arcane, painfully boring social science that is best left to a few professors in remote faculty lounges. Why are you studying this stuff? There's nothing to learn here of any practical importance!"
 - a. Illustrate the two to three examples that best support to reject this statement and why.

Chapter 1: The Power of Markets

1. What are the important characteristics of a “market economy?”
2. What are arguments for and against the market economy?
3. In your view, is it more important that an economy is efficient or fair? Why?

Chapter 2: Incentives Matter

1. Why are incentives so important in order for an economy to achieve its goals?
2. Does the “prisoner’s dilemma” illustrate that self-interest is always best? Why?
3. How are taxes used to illustrate the arguments of this chapter?

Chapter 3: Government and the Economy

1. What are externalities? Understand the examples provided in the text.
2. How can government action attempt to address these externalities?
3. How much influence do governments hold in a market economy?
4. At what point is there too much government intervention in an economy?

Chapter 7: Financial Markets

1. What types of economic activities occur in financial markets?
2. Do what extent does risk factor into these markets?
3. Is speculation always a bad thing? Why?
4. What advice does the author offer about your future investment decisions?

Chapter 9: Keeping Score

1. What are the benefits and drawbacks of using GDP to measure the economy?
2. Are there other unused indicators that the author suggests?
3. Do economic downturns, such as a recession, have a limited or wide impact? Why?
4. What are the indicators used to measure the U.S. economy? What do they calculate?
5. Which do you think is the most important indicator? Why?

Chapter 10: The Federal Reserve

1. What is the role of The Fed in our economic system? How is it structured? How does it operate?
2. To what extent can The Fed’s actions influence the U.S. economy? A little? A lot? Why?
3. Is inflation good or bad for an economy? Why?
4. Has The Fed always taken the right actions during economic crises? Why?

Chapter 12: Trade and Globalization

1. Why do countries engage in the trade of goods and services?
2. Does the author argue the drawbacks of international trade outweigh the benefits? Why?
3. Is the author in support of trade barriers, such as tariffs? Why?
4. Does trade only benefit rich countries? Why?
5. What is comparative advantage?

Reading guide questions for New Ideas From Dead Economists

Completion of these questions will provide you with the evidence to complete the required essays. They will **NOT** be collected.

Preface

1. List and describe the three major changes that occurred between Buchholz's 1989 and 2007 editions.
2. Explain why Buchholz argues that the attitude of a nation is more important than its latitude.

Chapter 1: Introduction: The Plight of the Economist

1. Why is the strongest link between economics and the real world: politics? Give a current example.
2. Why do politicians often misunderstand their economic advisors and why did John Maynard Keynes insist the master economist must fulfill a set of attributes more extraordinary than those needed for knighthood or even sainthood?
3. How did economics change over time into the modern version of economics that we know today? Why did it change?

Chapter 2: The Second Coming of Adam Smith

1. Explain what Smith's view of human nature was according to this book. Then, explain how success from that book led Smith to write another book, "in order to pass away the time."
2. Describe the concept of self-interest and how it plays a pivotal role in a market economy.
3. How did Smith use the example of a pin factory to teach us what increases the wealth of nations?
4. How does Smith explain the idea of absolute advantage and its role in free trade?
5. According to Smith, what is the role of government as it pertains to the economy? Explain.

Chapter 4: David Ricardo and the Cry for Free Trade

1. How does Buchholz use the Gilligan's Island example to illustrate Ricardo's concept of comparative advantage?
2. What is protectionism? Give arguments both for and against protectionism.
3. How did Ricardo use Say's Law to disagree with other economists of his time, such as Robert Malthus, about economic depressions?
4. How did Ricardo's economic method differ from Malthus' economics method?

Chapter 6: The Angry Oracle Called Karl Marx

1. Explain how Karl Marx predicted Capitalism would crumble due to five different causes.
2. Explain how the author assesses Karl Marx's economic analysis and conclusions by addressing four important points.

Chapter 7: Alfred Marshall and the Marginalist Mind

1. Describe the concept of marginalism through economic behavior.
2. How can the development of a new product called "Yuppie Yogurt" help to understand Marshall's system in both the short and long runs? Explain.
3. How does Buchholz use an economic example of "Yuppie Debbie" to explain the law of diminishing marginal utility and the law of demand?
4. Explain how Marshall developed a similar framework for suppliers and the law of supply.
5. How/why does Marshall compare the intersection of both the supply curve and the demand curve to the blades of a pair of scissors? Explain.
6. How does the author use famous quotes from James Bond movies to distinguish between demand elasticity and demand inelasticity?
7. Briefly explain the difference between the nominal and real interest rates in macroeconomics.

Chapter 9: John Maynard Keynes: Bon Vivant as Savior

1. How did Keynes view Classical Economists? Why? Explain.
2. Explain Keynes argument for stimulating the economy during the Great Depression. Give modern day examples of this process.
3. Describe the concept of the multiplier effect.
4. Explain how Keynes concluded that the government can often act as a third party when suppliers (or the private sector) and consumers (or households) are unable to find a way out of poor economic times. How is the multiplier enacted here?

Chapter 10: Milton Friedman and the Monetarist Battle Against Keynes

1. Admitting that the economy does need both an accelerator and a brake, how do monetarists view who is making decisions for the economy and how they control the money supply?
2. According to Milton Friedman and Monetarists, how should the Federal Reserve (or Central Bank) manipulate the money supply? Be sure to explain your answer by referencing how "the Fed" should either use the accelerator or the brake or a combination of both.
3. What is the velocity of money? Why do monetarists, like Friedman, believe that velocity should be stable?
4. Are there ever situations where the Fed's accelerator or brake pedal should be used to speed or slow velocity? Explain.
5. Why did Friedman and the Monetarists believe that monetary misuse accompanied every severe recession every significant inflation over the past century? Explain.

6. Why have a new generation of economists turned to the federal government to induce firms (or the supply-side) to lift productivity? Explain.

****Assignment****

Respond to the following questions with three separate essays of no more than two pages each, double spaced in twelve-point font. Be sure to include evidence from both sources to support your arguments. Please cite any direct quotes or ideas taken from any text with a parenthetical citation.

Resource readings on the Great Depression and the Financial Crisis of 2008 are posted on the Google Classroom page for this summer reading assignment.

1. After completing the selected chapters from both books, complete the following statement: "Economics is the study of _____" Keep your response to one to two words. Why did you respond in that way? Include evidence from both sources that supports your definition.
2. Choose one resource reading on a financial crisis from American history; The Great Depression or the Financial Crisis of 2008. Which of the selected chapters in Naked Economics allows you to best understand and analyze the reasons for that crisis? Why? Include evidence from the book and article to support your argument.
3. Taking your resource reading from question two, select the two economic thinkers from New Ideas from Dead Economists that would offer the most different solutions to that economic crisis. Why would they have such different solutions? Be sure to make connections between the reasons for your economic crisis and the ideas of that specific economic philosopher.

*Final editions of your responses should be turned into the appropriate teacher as noted below by the first day of school, **Tuesday September 3rd, 2019.***

Molyneaux- Hard copies or via Google Classroom Assignment (classroom code will be provided through the Summer Reading Google Classroom by 8/31/19)

Karpyn- Hard copies or via e-mail: mkarpyn@mnsd.org