



AP MACROECONOMICS

SUMMER ASSIGNMENT

**Ms. Heba Mobarak**

Al Bayan Bilingual School

### **Congratulations for enrolling in AP Macroeconomics.**

Advanced Placement Macroeconomics is a course designed to prepare you for the AP college board macroeconomic exam which usually takes place in May. Macroeconomics examines the wider economy including topics like inflation, unemployment, international trade, economic growth, money supply and government policies.

This is a very interesting yet demanding course that will require hard work and dedication on your part and will prepare you to meet the 21<sup>st</sup> century challenges and understand the world around you and see it in a different yet very interesting way.

You will be required to do at least 2 hours of independent reading and research under my guidance, supervision and facilitation per week including assignments and classwork. You will be expected to present, participate in class discussions and peer teach topics and / or concepts.

These assignments are designed to prepare you for the course and should be submitted on the first day of school. If you choose to put effort during the summer to complete these assignments independently & find them interesting, congratulations, consider yourself prepared to take-off!

There will be a test after the first week of school which will be part of your semester grade.

*Some economic food for thought.....*

*How do you plan to spend your summer holiday?*

*There are consequences of choices that lie in the future. We cannot change the past but we can influence the future, every choice or decision we make is based on prediction of what the benefit and cost of our alternatives will be and the more information we have about alternatives, the better our predictions should be.*

#### **Useful resources you will need:**

Textbook: Krugman's economics for the AP course, third edition

Useful Websites: <https://www.khanacademy.org/economics-finance-domain>

<https://www.youtube.com/channel/UCCQEbqDL8i40d83Au551YMQ>

<http://reffonomics.com>

## **Assignment 1: Reading, Researching and summarizing**

1. First part: Read/study/ watch videos on the all the topics below and write a brief summary on every topic with graphs if applicable.
2. Second part: Choose only 1 economic concept/topic that interests you. You are required to find a news article that reflects this concept. Print the article and write a summary that explains how the concept is reflected or happening in the economy in any country of your choice. Provide supporting evidence and/or data/ statistics...etc.

### Macroeconomics topics:

1. **Basic Economic Concepts** (scarcity, factors of production, production possibility curves, Comparative advantage and trade)
2. **Nature and Function of Product Markets** (Supply and Demand)
3. **Measuring Economic Performance** (Circular flow and GDP, unemployment, inflation)
4. **Aggregate Demand and Aggregate Supply** (equilibrium and fiscal policy)
5. **Money Market, Monetary Policy and Economic Stability** (savings and investment, banking and money creation, money market and market for loanable funds)
6. **Monetary and Fiscal Policy Combinations: Stabilization Policy in the Real World**
7. **International Economics** ( Capital flows, balance of payments, foreign exchange markets and barriers to trade)

## **Assignment 2: Basic Economic Concepts**

- Click on this website: <http://reffonomics.com>
  - Click on “**Videos Macro**”
  - Click on BASIC CONCEPTS
  - Click on “INTRODUCTION TO ECONOMICS” now read and take notes on the following tutorial slide shows listed below and answer the multiple-choice questions.
1. Introduction to economics
  2. Opportunity Cost
  3. Resources
  4. Economic Systems
  5. Production Possibilities Curves (all parts)

(Assignment 2 will help you in completing Assignment 3 so make sure you do it first)

### **Assignment 3: Vocabulary**

For each vocabulary term listed below, find the definition then provide an example (e.g graph, picture, equation...etc.) or application for how the term is used in the economy.

<b>Term</b>	<b>Definition</b>	<b>Example / Application</b>
1. Economics		
2. Resource		
3. Land		
4. Labor		
5. Capital		
6. Entrepreneurship		
7. Scarcity		
8. Opportunity cost		
9. Microeconomics		
10. Macroeconomics		

11. CPI		
12. GDP		
13. Aggregate demand		
14. Aggregate Supply		
15. Economic cycle		
16. MPC & MPS		
17. M1 & M2		
18. Velocity of money		
19. Investment		
20. Expenditure approach		
21. Income approach		
22. Inflation / Deflation		

**Assignment 4:** Answer the following questions

1. Draw, correctly label and explain a graph of the money market.
2. Draw, correctly label and explain the Philips Curve.
3. Draw, correctly label and explain the market for loanable funds.
4. Consider the following pairs of goods. For which of the two goods would you expect the demand to be more price elastic? Why?

a.	water or diamonds
b.	insulin or nasal decongestant spray
c.	food in general or breakfast cereal
d.	gasoline over the course of a week or gasoline over the course of a year
e.	personal computers or IBM personal computers

5. Draw a production possibilities frontier showing increasing opportunity cost for hammers in terms of horseshoes.

a.	On the graph, identify the area of feasible outcomes and the area of infeasible outcomes.
b.	On the graph, label a point that is efficient as point "E" and a point that is inefficient as point "I".
c.	On the graph, illustrate the effect of the discovery of a new vein of iron ore, a resource needed to make both horseshoes and hammers, on this economy.
d.	On a second graph, illustrate the effect of a new computerized assembly line in the production of hammers on this economy.

6. This question deals with demand and supply and refers you to the table below.

a.	Given the table, graph the demand and supply curves for flashlights. Make certain to label equilibrium price and equilibrium quantity.
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Price	Quantity Demanded/Month	Quantity Supplied/Month
\$5	6,000	10,000
\$4	8,000	8,000
\$3	10,000	6,000
\$2	12,000	4,000
\$1	14,000	2,000

b.	What is the equilibrium price and equilibrium quantity?
c.	Suppose the price is currently at \$5. What problem would exist in the economy? What would you expect to happen to price? Show this on your graph.
d.	Suppose the price is currently \$2. What problem exists in the economy? What would you expect to happen to price? Show this on your graph.

7. Suppose we are analyzing the market for hot chocolate. Graphically illustrate the impact each of the following would have on demand or supply. Also show how equilibrium price and quantity have changed.

a.	Winter starts and the weather turns sharply colder.
b.	The price of tea, a substitute for hot chocolate, falls.
c.	The price of cocoa beans decreases.
d.	The price of whipped cream falls.
e.	A better method of harvesting cocoa beans is introduced.
f.	The Surgeon General of the U.S. announces that hot chocolate cures acne.
g.	Protesting farmers dump millions of gallons of milk, causing the price of milk to rise.
h.	Consumer income falls because of a recession and hot chocolate is considered a normal good.
i.	Producers expect the price of hot chocolate to increase next month.
j.	Currently, the price of hot chocolate is \$0.50 per cup above equilibrium.

## Expectation Agreement

After you have read the expectations and class requirements, please sign and return the below contract to Ms. Heba to acknowledge that you have understood and accepted the terms and conditions and are willing and able to work and complete the required assignments as per instructions.

Ms. Heba Mobarak

AP HS Economics Teacher

Al Bayan Bilingual School

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I \_\_\_\_\_ (Printed Name) **acknowledge that I have received, read and understood my summer assignment and know that it is my responsibility to work, complete and turn in all assignments on time.**

Signature \_\_\_\_\_

Date \_\_\_\_\_