Dave Silverstein

Introduction:

- What causes Inflation?
- How does Currency Fluctuations affect Interest Rates?
- Why have income and wealth become more unequally distributed over the past few decades?
- How does a company decide what price to charge?
- Why are certain jobs outsourced to other countries while others are not?
- What factors caused the 2008 “Great Recession?”

Economics is a discipline that can help us answer these questions and many more.

Every human being has wants and needs, yet we have limited resources. Economics is the study of how we utilize our limited resources to maximize the satisfaction of our wants and needs.

Economics goes far beyond supply and demand to cover topics like capital accumulation, profit maximization, fiscal policy, monetary policy and pricing strategies. Economics helps us to understand historical trends, interpret today’s financial headlines, better run our business and make predictions for the coming years.

Course Rigor:

Advanced Placement Economics is a full year course that is designed to prepare students to take the AP Macroeconomics and/or AP Microeconomics exam(s). Our first semester covers macroeconomics; the study of economic principles that apply to an economic system as a whole. This course will emphasize the nature and functions of entire markets and include the study of the role of government in economics. The second semester covers microeconomics. Students will learn how to apply economics to specific decision makers (i.e., individual consumers and producers).

We will cover the concepts tested on two AP exams (Macro and Micro) in only one year!
All assignments and tests will be AP caliber. With that said, this college-level class is a major undertaking that requires a significant effort from start to finish. Students must possess a strong, independent work ethic. In addition to the regular classroom work, students are expected to do a great deal of reading and studying from college-level textbooks. Unlike other AP subjects, most students have never studied economics, making it all the more challenging, yet rewarding.

Prerequisites: Although no formal prerequisite requirements exist, there are mathematic principles employed in this course. Students should have a comfortable familiarity with the creation and interpretation of linear and exponential graphs. Students will need to algebraically manipulate economic data.
SUMMER ASSIGNMENT:

The assignment must be submitted on the first day of class. No exceptions. If you transfer into my class after the first day of school, the assignment will be due 5 school days following your arrival. If you are absent on the first day of school, you must email me your work: david.silverstein@motsd.org.

This Your summer assignment consists of two parts:

Part I

You must see me before the last day of school to pick up a study packet. I am located in room B115. If you transfer into my class during the summer, please stop by the guidance office to pick up the packet.

- Take the time to carefully read the entire packet. This packet provides the foundation to understanding future concepts. Do not procrastinate. This is not the type of reading that allows you to wait till the last minute. The concepts covered in the packet are tested on BOTH the Macro and Microeconomics AP exams. Enough said.
- Go to YouTube and type the following in the search bar: “ACDCLeadership Economics Micro Unit 1 Summary-Basic Economic Concepts” A twenty nine minute and thirty seven second video should appear. Watch that video carefully.
- Watch the ACDCLeadership Macro and Micro Unit 1- Practice Questions #1 video(twenty minutes and thirty four seconds).

Note: there is a plethora of economic websites that explain the same concepts in different ways. Take the time to find the website(s) that works for you. One of my favorites is welkerswikinomics.com, for it contains many writings and videos that are easy to understand.

After reading the study packet and watching the videos, answer the following:

Question 1: The table below shows the production possibilities for the Miranda economy, an economy based solely on Hamburger and Motorcycles. Assume the opportunity cost of producing Hamburger and Motorcycles is constant.

Note: graphs must be done by hand; not on the computer. You are not allowed to use a graphing calculator on the AP exam, so now is as good a time as any to start sharpening your graphing skills. Please use a pencil. Colored pencils are fine. Each graph should take up at least ½ page and be visually legible.

<table>
<thead>
<tr>
<th>Quantity of Hamburger</th>
<th>Quantity of Motorcycles</th>
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<tbody>
<tr>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>25</td>
<td>50</td>
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<tr>
<td>50</td>
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a. Draw a correctly labeled graph of the production possibility curve (labeled PPC1), putting the quantity of Motorcycles on the vertical axis.

b. What is the opportunity cost of one unit of Hamburger?

c. Suppose that technology improves in Hamburger production and allows for 100 units of Hamburger to be produced when all resources are devoted to Hamburger production. Add a new production possibility curve that reflects this new technology to the graph from part (a) and label the new production possibilities curve PPC2.

d. After the technological improvement in Hamburger production in part (c), has the opportunity cost of Motorcycles increased, decreased, or remained the same? Explain.

**Question II:** The table below shows the production possibilities for the Silva and Coutinho economies. Both economies are based solely on the production of Hamburger and Motorcycles. Assume the opportunity cost of producing Hamburger and Motorcycles is constant in both nations.

<table>
<thead>
<tr>
<th>Silva Production Possibilities</th>
<th>Coutinho Production Possibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quantity of Hamburger</td>
<td>Quantity of Motorcycles</td>
</tr>
<tr>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>50</td>
<td>0</td>
</tr>
</tbody>
</table>
a. Which nation has absolute advantage in the production of Hamburger?

b. Which nation has the comparative advantage in the production of Hamburger? Explain.

c. If the nations of Silva and Coutinho could trade, what product will be exported by Silva? Explain.

Question III:

Suppose that you are stranded on a desert island and you have 20 wild boars to trade. Your neighbor, Neymar, is willing to trade 2 pineapples for 1 of your boars. Marcelo, another neighbor, is willing to trade 3 pineapples for every 1 boar.

a.) On a single graph, draw budget lines for trading with Neymar and Marcelo (Put boars on the X axis)

b.) What is the slope of the budget line from trading with Neymar?

c.) What is the slope of the budget line from trading with Marcelo?
d.) Which budget line features a larger set of attainable combinations of boars and pineapples?

e.) Who would you choose as your trading partner? Why?

**Question IV:**

Let's put dollar amounts on the flows in the circular flow diagram of Figure 2.2. in your packet.

a. Suppose that businesses buy a total of $100 billion of the four resources (labor, land, capital, and entrepreneurial ability) from households. If households receive $60 billion in wages, $10 billion in rent, and $20 billion in interest, how much are households paid for providing entrepreneurial ability?

b. If households spend $55 billion on goods and $45 billion on services, how much in revenues do businesses receive in the product market?
Question V:
Suppose Firmino currently makes $50,000 per year working as a manager at a cable TV company. He then develops two possible entrepreneurial business opportunities. In one, he will quit his job to start an organic soap company. In the other, he will try to develop an internet-based competitor to the local cable company. For the soap-making opportunity, he anticipates annual revenue of $465,000 and costs for necessary land, labor, and capital of $395,000 per year. For the internet opportunity, he anticipates costs for land, labor, and capital of $3,275,000 per year as compared to revenues of $3,275,000 per year.

a. Should he quit her current job to become an entrepreneur

b. If he does quit his current job, which opportunity would he peruse?

Part II
Study the aforementioned videos and packet very carefully. **There will be a test on both during the first week of class.**

I wish you well with your venture into economics. I expect you will find the class very interesting and useful. In fact, it will be something you will use every day of your adult life. For example, you can apply economic concepts to address everyday real life questions:

- should I work in this industry,
- am I maximizing my business’ profits,
- is now a good time to invest in or pull out of the financial markets
- what type of fiscal and/or monetary policy will my government employ to address current macroeconomic conditions and how will that policy affect my business
- How will the international markets affect my investments

I am looking forward to meeting you in September.

Have a safe and happy summer.