

AP Macroeconomics Summer Reading Assignment 2022 **(The Combo Course)**

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

It can be found on Amazon, Barnes and Noble, and in libraries, etc.. I have limited copies of the book, but you may borrow one. Please let me know if you need one. The book was first published in 2002 and some of the references to events in that edition might seem dated. I recommend you secure either the 2010 version or the 2019 version.

Instructions: You must read the *foreword* to understand the purpose of this book. It will outline the overall scope of economics and give you an idea as to how we approach problem solving in economics.

****Read the 5 chapters listed below (the book has 12 chapters total) and answer the questions pertaining to that chapter.**

*****I hope you read more than 5 chapters because each one is different, unique and illustrates how economists view situations. Also, since you are taking the combo class (congrats, you are brave and I already have tremendous respect for you) you should pay close attention to the chapter about the Federal Reserve.**

Expectations:

- Work must be typed, 12 point font, single spaced.
- Identify which chapter you are writing about.
- You DO NOT need to restate the question.
- Use complete sentences and content from the book to support your writing.
- Each response should be at least a minimum of a paragraph.
- To get a good grade, I need to see proof that you have thought about the chapter. Give me some of your own thoughts. Find outside material if you like. Charles Wheelan is an economics professor but you don't have to agree with him on everything.

Due Date: September 2nd, 2022.

- **Chapter 2 Incentives Matter: *Why you might be able to save your face by cutting off your nose***

Explain each of the following using content from the chapter: adverse selection, the prisoner's dilemma, subsidies, Adam Smith's invisible hand, creative destruction, and deadweight loss. To get credit, I need Wheelan's perspective, not just definitions.

- **Chapter 9 Keeping Score: *Is my economy bigger than your economy?***

Explain the following using content from the chapter: real GDP vs. nominal GDP, Fiscal Policy, Monetary Policy, John Maynard Keynes view of fiscal policy, Gini Index, crowd(ing) out investment, current account surplus/deficit, budget deficit. To get credit, I need Wheelan's perspective, not just definitions.

- **Chapter 10 The Federal Reserve: *Why that dollar in your pocket is more than just a piece of paper***

Explain the following using content from the chapter: monetary policy, easy money, discount rate, federal funds rate, open market operations. Give an example from the book regarding who is helped and hurt by inflation. To get credit, I need Wheelan's perspective, not just definitions. Please do not feel the need to give me a textbook definition, he doesn't present these topics that way.

- **Chapter 12 Development Economics: *The wealth and poverty of nations***

Explain and discuss what we can do to help developing nations. What do these nations need to do to help themselves? Give the example he uses for purchasing power parity. Explain how a weak currency is good for exporters and at the same time punishing. How does currency "float"? What does the World Bank and the IMF do? What does he call the IMF in relation to the World Bank?

- **Epilogue Seven Questions:** Please choose 3 of the 7 questions to discuss. You should include Wheelan's position and what you think.

