

HONORS ECONOMICS

Summer Reading Assignment

“An economist is a man who states the obvious in terms of the incomprehensible.”

- Alfred A. Knopf

“An economist is an expert who will know tomorrow why the things he predicted yesterday didn't happen today.”

- Laurence J. Peter

“An economist is someone who sees something that works in practice and wonders if it would work in theory.”

Ronald Reagan

Welcome to Honors Economics! To aid you in your journey towards the enlightenment of economic thinking, the following book has been chosen as your summer reading:

Naked Economics: Undressing the Dismal Science

by Charles Wheelan 2010 edition with the white cover. (The old one had a green cover)



This book is available online or at any retail bookstore.

After reading the book, please complete the following questions for discussion. Your responses must be typed and they will be collected on **September 5th**.

Chapter 1: The Power of Markets

- What's so great about a market economy, anyway?

Chapter 2: Incentives Matter

- Explain how each of the following relates to efficient outcomes in a market economy: Adverse selection, “perverse incentives”, principal-agent problem, and the prisoner’s dilemma.

Chapter 3: Government and the Economy

- Besides addressing externalities, what other important and beneficial roles does government play in our market economy?

Chapter 4: Government and the Economy II

- What are the main reasons why the government should only take a limited role in a market economy?

Chapter 5: Economics of Information

- Wheelan explains that basic economic models assume that all parties have “perfect information.” How does “informational asymmetry” undermine our market economy?

Chapter 6: Productivity and Human Capital

- Evaluate the following statement from p. 143: “We should not care about the gap between rich and poor as long as everybody is living better.”

Chapter 7: Financial Markets

- Explain how get-rich-quick schemes violate the most basic principles of economics.

Chapter 8: The Power of Organized Interests

- Why does the federal government subsidize the farmers from this chapter?

Chapter 9: Keeping Score

- Why is a nation’s GDP a good measure of its economic well-being and progress? Why is it a poor measure?

Chapter 10: The Federal Reserve

- What is the primary role of the Federal Reserve? What is the significance of this role?

Chapter 11: International Economics

- Explain the “dysfunctional economic relationship” between the United States and China. What are the significant risks for each side?

Chapter 12: Trade and Globalization

- What is the “good news about Asian sweatshops”?

Chapter 13: Development Economics

- After reading this chapter, what do you believe are the two greatest obstacles preventing poor countries from becoming rich?

Epilogue: Life in 2050

- What economic question(s) do you have about life in 2050? About today's economy? About life in general?

**Your answers do not need to be extensive, but should answer the questions completely and thoughtfully. One sentence is insufficient.*

Questions? Contact your Honors Economics teacher: **Ms. Izykowski, room H-116,**
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