

AP MICROECONOMICS SUMMER ASSIGNMENT 2018-2019

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Due Date: Friday, August 10, 2018

Welcome to AP Microeconomics!

Congratulations on making a choice to take AP Microeconomics! You are an economist now so it is important to start thinking like one. Economics is the study of how humans choose to allocate scarce resources in order to deal with the unlimited wants of our society.

For your summer assignment you will be required to complete the assignments that follow. Your summer assignment will be due the first day of school. **EVEN IF YOU ARE TAKING THE CLASS SECOND SEMESTER THIS ASSIGNMENT WILL BE DUE THE FIRST DAY OF SCHOOL, OR THE PACKET WILL BE CONSIDERED LATE AND YOU WILL LOSE POINTS FOR EACH DAY IT IS LATE.** This assignment is meant to prepare you for the material that lies ahead and to narrow the “rush” to cover all the material that is required to do well on your AP exam.

You have a choice ahead of you and each choice has costs and benefits to them. All choices in economics and in life have costs and benefits. You can either:

Option A: Dedicate the time and effort to do your summer assignment well.

Cost: Lose some vacation time.

Benefit: Start the semester with a good grade and you feel prepared for the AP course.

Option B: Complete the assignment the night before it is due.

Cost: Start the semester off with an okay grade. Lose some sleep. Don't feel prepared for the AP course.

Benefit: Don't lose vacation time and it is possible that your teacher won't be able to tell you waited until the last minute.

Option C: Don't do the assignment at all.

Cost: Start the semester off with an F and having your work cut out for you to get your grade up.

Benefit: No loss of vacation time.

There are obvious costs and benefits to each decision and hopefully by analyzing each choice you understand that the rational decision is to choose **Option A**.

Important Stuff:

Please feel free to contact me over the summer if you have any questions about the summer assignment or need any other assistance. I will be checking my email no less than weekly so do not hesitate to contact me.

Assignment 1: Email for Textbook access

For the first part of the assignment, you will need to email me in order to get the code to access your textbook.

I will also email you questions to go along with modules 1, 3, and 4. You will need to print out the questions for each module and **HANDWRITE THE ANSWERS. ONLY HANDWRITTEN COMPLETED COPIES WILL BE ACCEPTED.** I encourage you to answer the “main idea” questions last, after you have read the whole module and answered the other questions.

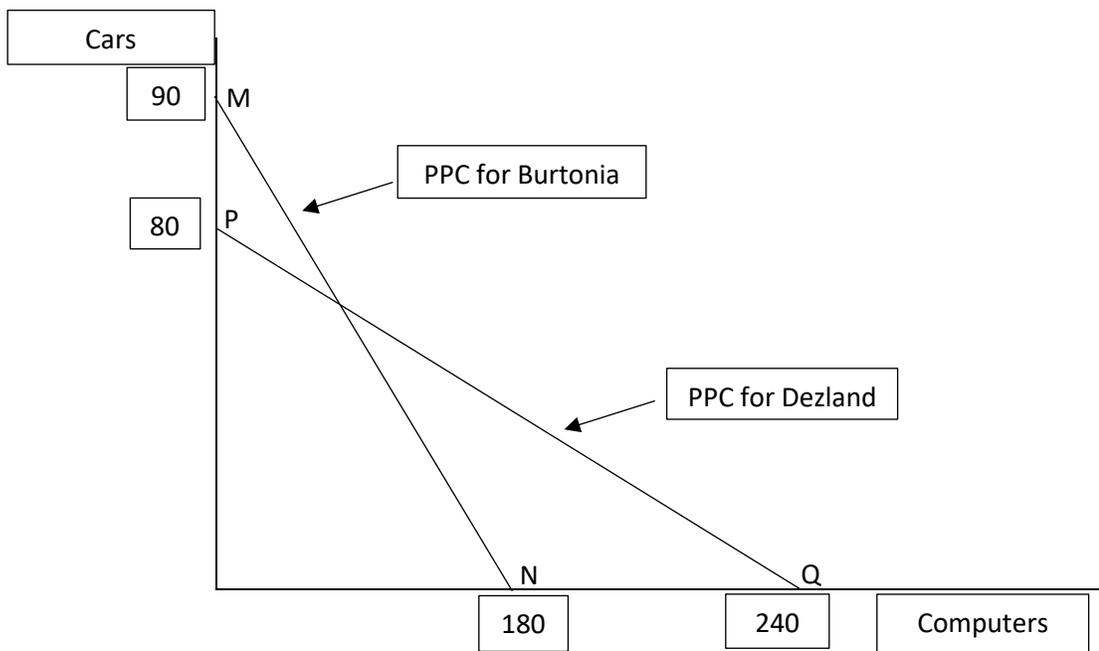
Assignment 2: ACDC Econ on Youtube

Using the YouTube source entitled, “ACDC Leadership: Microeconomics Unit 1: Basic Concepts,” <https://www.youtube.com/playlist?list=PLA46DB4506062B62B> you are to watch the ten videos shown below. (You may choose to skip the Monsters, Inc. video if you would like). Before completing the packet of practice problems.

1		Micro Unit 1 Summary- Basic Economic Concepts by ACDCLeadership	29:37
2		Macro and Micro Unit 1- Practice Questions #1 by ACDCLeadership	20:34
3		Micro Unit 1- Practice Questions #2 by ACDCLeadership	10:43
4		Perverse Incentives and Bad Policies with Jacob Clifford by ACDCLeadership	5:38
5		Production Possibilities Curve- Econ 1.1 by ACDCLeadership	5:36
6		Shifting the Production Possibilities Curve (PPC)- Econ 1.2 by ACDCLeadership	3:57
7		Production Possibilities- EconMovies #3: Monsters Inc by ACDCLeadership	4:45
8		Comparative Advantage and Terms of Trade -ACDC Econ 1.3 by ACDCLeadership	4:15
9		Econ 1.4 Comparative Advantage: ACDC Econ by ACDCLeadership	4:10
10		Econ 1.5 Comparative Advantage Practice: Output and Input Questions-AP Economics by ACDCLeadership	5:00

Assignment 3: Practice Free Response Questions

After reading the text, completing the modules, and viewing the six YouTube videos for this assignment; students may then proceed to completing the attached packet of practice problems. **ANSWERS MUST BE HANDWRITTEN ON A SEPARATE SHEET OF PAPER IN ORDER TO RECEIVE CREDIT.**



1. Assume that two countries, Burtonia and Dezland, have equal amounts of resources. Burtonia can produce 90 cars or 180 Computers or any combination, as shown by line MN in the figure above. Dezland can produce 80 cars or 240 computers or any combination, as shown by line PQ in the figure above.
 - a. Which country has an absolute advantage in the production of computers? Explain how you determined your answer.
 - b. Which country has a comparative advantage in the production of cars? Using the concept of opportunity cost, explain how you determined your answer.
 - c. If the two countries specialize and trade with each other, which country will import cars? Explain why.
 - d. If the terms of trade are such that one car can be exchanged for one computer, explain how Burtonia will benefit from such trade.

Determining Comparative Advantage: Input Method

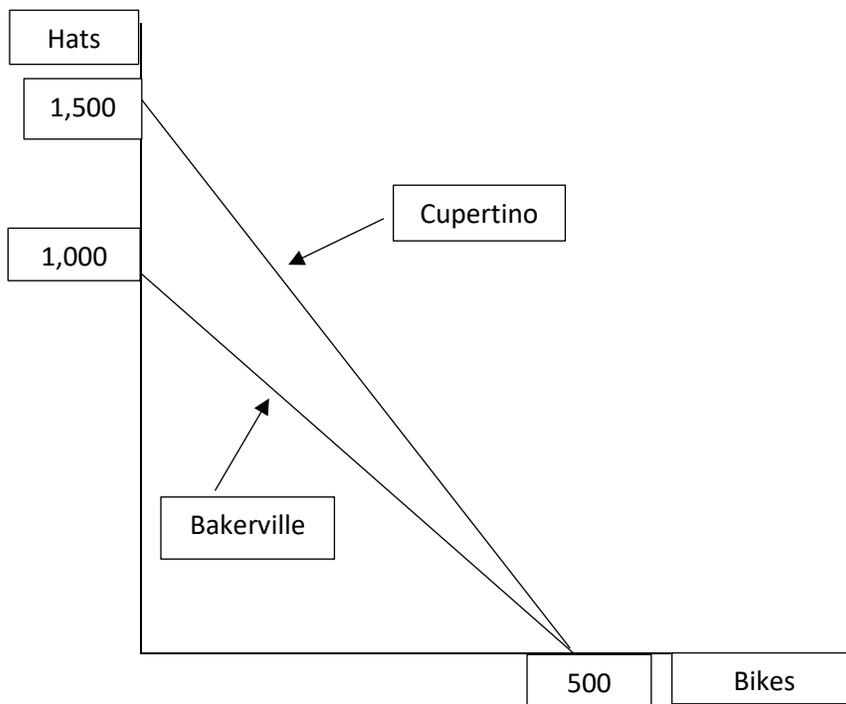
	Soybeans	Avocados
Mexico	16	8
USA	8	6

2. In order to produce 1 ton of output, Mexico and the USA require the amount of land (in acres) listed in the table above.
 - a. Which country has a comparative advantage in:
 - i. Soybeans
 - ii. Avocados
 - b. Calculate the opportunity cost of avocados in:
 - i. Mexico
 - ii. The US
 - c. Assume the countries agree to trade at the rate of 1 soybean for 1.5 avocados. Explain why the country that imports soy beans will benefit from trade.

Determining Comparative Advantage: Output Method

	Units of Cloth	Units of Food
Newland	20	5
Oldland	20	10

3. The table above gives the production alternatives of two nations that are producing cloth and food, using equal amounts of resources.
 - a. Calculate the opportunity cost of producing a unit of
 - i. Cloth in Newland
 - ii. Food in Oldland
 - b. Which nation has the comparative advantage in
 - i. Cloth production
 - ii. Food production
 - c. Now assume that the productivity of Oldland’s workers triples for each good.
 - i. Which country has a comparative in food production?
 - ii. Explain how you determined your answer.



4. The diagram above shows the production possibilities curves for two countries: Cupertino and Bakerville. Using equal amounts of resources, Bakerville can produce 1,000 hats or 500 bikes, whereas Cupertino can produce 1,500 hats or 500 bikes.
 - a. Calculate the opportunity cost of a bicycle in Bakerville.
 - b. If the two countries specialize and trade, which country will import bicycles? Explain.
 - c. If the terms of trade are 6 hats for 1 bicycle, would the trade be advantageous for each of the following?
 - i. Cupertino
 - ii. Bakerville
 - d. If productivity in Bakerville triples, which country has the comparative advantage in the production of hats?