“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 AP 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

After reading the book, please complete the following questions for discussion. Your responses must be typed in complete sentences with full explanations. They will be collected the first week back to school in the fall. The grading rubric is at the end of this document.

**Chapter 1: The Power of Markets**
- What are the two basic assumptions that economists make about individuals and firms?
- What is the role and significance of prices in the market economy?
- 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**
- In your own words, explain what an externality is.
- 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 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**
- After reading Wheelan’s argument, do you agree that Bill Gates should be so much richer than you?
- Evaluate the following statement from p. 113: “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.
- What advice about investing in the stock market did you find most interesting and/or useful?

Chapter 8: The Power of Organized Interests
- Why have mohair farmers earned a subsidy from the federal government for decades?

Chapter 9: Keeping Score
- Why is a nation’s GDP a good measure of its economic well-being and progress?
- Why is a nation’s GDP a poor measure of its economic well-being and progress?

Chapter 10: The Federal Reserve
- What is the primary role of the Federal Reserve?
- What is the significance of this role?
- What is deflation, and why is it worse than inflation?

Chapter 11: Trade and Globalization
- What is the “good news about Asian sweatshops”?

Chapter 12: 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 do you have about life in 2050? About today’s economy? About life in general?

Have a great summer!! I am already looking forward to engaging you with economics this fall!

Mr. Felegy
FelegyD@middletownk12.org

The Grading Rubric is below
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<td><strong>make logical inferences from text</strong></td>
<td>- No evidence of inference (making a prediction, interpreting information or drawing a conclusion) about the text</td>
<td>- Attempts to make a prediction or draw a conclusion about the text</td>
<td>- Makes a prediction or draws a conclusion about the text</td>
<td>- May develop predictions, interpretations, and/or conclusions about the text</td>
<td>- Develops thoughtful predictions, interpretations, and/or conclusions about the text with depth and understanding</td>
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<td>- Conveys a minimum amount of information about the text</td>
<td>- Includes some inaccuracies such as details, conclusions, or predictions that are inaccurate or unsubstantiated based on text information</td>
<td>- May include details, predictions, or conclusions that are inaccurate or unsubstantiated based on text information</td>
<td>- May identify meanings, clues, and/or details that are not explicitly stated (inferred)</td>
<td>- Includes connections between the text and the reader’s background knowledge (schema) or ideas and beliefs</td>
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<td><strong>cite specific textual evidence and can support conclusions from text</strong></td>
<td>Does not reference text evidence</td>
<td>Cites little text evidence and but does not explain purpose</td>
<td>Cites evidence from the text using EITHER quotes or paraphrases</td>
<td>Cites evidence from text by using BOTH direct quotes and paraphrases</td>
<td>Skillfully blends evidence from text using BOTH direct quotes and paraphrases</td>
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<td>Identifies the central idea, topic, or issue, but not supporting details</td>
<td>Identifies the central idea and some supporting details, draws simple inferences</td>
<td>Identifies the central idea and analyzes key supporting details, draws inferences (such as author’s position and purpose)</td>
<td>Identifies the central idea and analyzes key supporting details thoroughly, draws inferences (such as author’s position and purpose)</td>
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<td><strong>identify the central theme of the text and summarize key ideas</strong></td>
<td>Does not identify or misidentifies the central idea of informational text</td>
<td>Makes no connections or conclusions using the text</td>
<td>Connections distract from understanding of the text</td>
<td>Connections are explained and related back to the text to deepen the reader’s understanding. Uses background knowledge or experience, including information about author and text structure.</td>
<td>Connections are fully developed and expand the reader’s own interpretation of the text. Connects to other texts and/or the world at large.</td>
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<td><strong>draw connections between people, events and ideas in the text</strong></td>
<td>Connections distract from understanding of the text</td>
<td>Simple connections identified with little explanation or reflection on the text.</td>
<td>Connections are explained and related back to the text to deepen the reader’s understanding. Uses background knowledge or experience, including information about author and text structure.</td>
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<td>summariz e key ideas</td>
<td>Does not summarize the clear ideas</td>
<td>Vaguely attempts to summarize the material learned</td>
<td>States an interpretation/argument/claim that may or may not be based on evidence that can be found in the documents.</td>
<td>Presents an acceptable ability to summarize a text/document and can make connections across the curriculum.</td>
<td>Presents strong and thorough abilities to summarize a text that includes outside information with prior knowledge.</td>
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<td>Conveys a minimum amount of information</td>
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<td>States author’s claim/claims and evidence presented to prove those claims.</td>
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<td>No reflection of comprehension</td>
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