POB/JFK HS Social Studies

AP Macroeconomics Summer Assignment

Economics is deeply intertwined with many aspects of daily life in the United States. From personal financial decisions to understanding broader economic trends and public policies, economic knowledge empowers individuals to make better choices and advocate for policies that improve their lives and communities. By grasping fundamental economic concepts, Americans can navigate the complexities of the modern economy more effectively and contribute to a more informed and prosperous society.

Objective:

The summer assignment aims to prepare you for the AP Macroeconomics course by familiarizing you with fundamental economic concepts and current events.

Assignment Components:

1. **Introduction to Basic Economic Concepts - Complete the reading below.**
2. **Current Events Analysis:**
    - **Task**: Select three current economic events/concepts from reputable news sources (e.g., The New York Times, The Wall Street Journal, BBC).
    - **Writing**: For each event/concept, write a 1-page summary and explain how it relates to one or more macroeconomic concepts you have read about. Include citations. You must use three different concepts.

Submission Guidelines:

- **Format**: All written assignments should be typed, double-spaced, with 12-point Times New Roman font and 1-inch margins.
- **Due Date**: The assignment is due on the second meeting of the class.

Evaluation:

- **Grading Criteria**: Each component will be graded based on completeness, accuracy, depth of analysis, and clarity of writing. The summer assignment will count towards your first-quarter grade.

Tips for Success:

- **Start Early**: Don’t wait until the last minute to begin the assignment.
- **Stay Informed**: Regularly read economic news to find relevant current events.

READING:

Key Economic Concepts for AP Macroeconomics

Welcome to your summer reading assignment! As you prepare for AP Macroeconomics, it's crucial to understand some fundamental economic concepts. This reading will cover:

1. **Gross Domestic Product (GDP)**
2. **Unemployment**
3. **Inflation**
4. **Fiscal Policy**
5. **Monetary Policy**
6.

1. Gross Domestic Product (GDP)

Definition: GDP is the total value of all goods and services produced within a country's borders in a specific time period, usually a year or a quarter.

Importance: GDP is a primary indicator used to gauge the health of a country's economy. A growing GDP suggests a healthy, expanding economy, while a declining GDP may indicate economic trouble.

Types:

- **Nominal GDP:** Measured in current prices and not adjusted for inflation.
- **Real GDP:** Adjusted for inflation, providing a more accurate reflection of an economy's size and how it's growing over time.

Example: If Country A produces $500 billion worth of goods and services this year, its nominal GDP is $500 billion. If inflation is 2%, the real GDP might be adjusted to reflect this change in price levels.

2. Unemployment

Definition: Unemployment occurs when people who are willing and able to work cannot find jobs.

Types:

- **Frictional Unemployment:** Short-term unemployment that occurs when people are between jobs or entering the labor force for the first time.
- **Structural Unemployment:** Long-term unemployment resulting from industrial reorganization, typically due to technological change, rather than fluctuations in supply or demand.
- **Cyclical Unemployment:** Unemployment resulting from economic recessions or downturns.

Importance: High unemployment indicates economic distress, while low unemployment is generally a sign of a healthy economy. However, too low unemployment can lead to inflationary pressures.

Example: During a recession, many businesses close or reduce their workforce, leading to higher unemployment rates.

3. Inflation

Definition: Inflation is the rate at which the general level of prices for goods and services rises, eroding purchasing power.

Types:

- **Demand-Pull Inflation:** Occurs when demand for goods and services exceeds their supply.
- **Cost-Push Inflation:** Results from an increase in the cost of production (e.g., rising oil prices).

Importance: Moderate inflation is normal in a growing economy. However, hyperinflation or deflation can be harmful. Policymakers aim to maintain a stable inflation rate.

Example: If the inflation rate is 3%, what cost $100 last year will cost $103 this year.

4. Fiscal Policy

Definition: Fiscal policy refers to the use of government spending and taxation to influence the economy.

Tools:

- **Government Spending:** Can stimulate economic activity during a recession by increasing demand.
- **Taxation:** Cutting taxes can increase disposable income and boost consumption and investment.

Types:

- **Expansionary Fiscal Policy:** Increases government spending and/or decreases taxes to stimulate the economy.
- **Contractionary Fiscal Policy:** Decreases government spending and/or increases taxes to cool down an overheated economy.

Example: During a recession, the government may increase infrastructure spending to create jobs and stimulate economic activity.

5. Monetary Policy

Definition: Monetary policy involves managing the money supply and interest rates to influence economic activity, typically conducted by a country's central bank (e.g., the Federal Reserve in the US).

Tools:

- **Interest Rates:** Lowering interest rates can stimulate borrowing and investment, while raising them can help control inflation.
- **Open Market Operations:** Buying and selling government securities to influence the money supply.

Types:

- **Expansionary Monetary Policy:** Aims to increase the money supply and reduce interest rates to stimulate the economy.
- **Contractionary Monetary Policy:** Aims to decrease the money supply and raise interest rates to control inflation.

Example: To combat high inflation, the central bank might raise interest rates, making borrowing more expensive and reducing spending and investment.

This assignment will help you get a head start on the AP Macroeconomics course.

Enjoy your summer, and I look forward to seeing your insights and analyses!

Mr. Cavanaugh