

Macroeconomics Summer 2020 Reading Assignment

Due Date: August 3 (first day of school) You will create an account on www.turnitin.com the first week of school and you will upload your assignment to that website.

Naked Economics: Undressing the Dismal Science by Charles J. Wheelan (2010 edition or newer)

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Why are we reading this book?

Who has recently purchased a house or a car? Who has their own business? Typical high school students do not have a great deal of macroeconomics prior knowledge. Hopefully reading this book will give you background knowledge and help you think about the world of economics, finance and business. Wheelan's book is a humorous non-math approach to economics. The book was first published in 2002 and some of the references to events in that edition might seem dated. The book was updated in 2010 (2nd edition) and again in 2019. I recommend that you read one of the two most recent editions. While reading the book, take time to understand Wheelan's arguments and question his assumptions and viewpoints.

Directions: Read the book and complete the following three assignments; be prepared to participate in a graded Socratic seminar assessment on the book during the second week of school. We will talk about the form of the assessment during the first week of class. So there is nothing special to do to prepare for the assessment over the summer except to read the book and complete this assignment.

Part I. As you read the book, use the following format to define each of the concepts listed below and give an example from the book to illustrate the concept.

Chapter 1 – The Power of Markets

Concept	Definition	Example
Market Allocation		
Utility		

Chapter 1 - The Power of Markets

Market allocation Utility Opportunity costs Profit maximization Lessons of markets
Prices allocate resources Barriers to entry Market price, pricing decision & price discrimination

Chapter 2 - Incentives Matter

Wrong incentives lead to undesirable outcomes Prisoners dilemma Creative destruction
Tax and government program disincentives

Chapter 3 – Government and the Economy

Externalities Government solutions to externalities Intellectual Property
Public goods Private Goods Free Rider Exclusion Market Failure

Chapter 4 – Government and the Economy II

Government inefficiency Effects of regulation Effects of taxation
Role of Government - Summary

Chapter 5 – Economics of information

Branding Signaling mechanisms

Chapter 6 – Productivity and Human Capital

Human capital Job creation Effects of human capital on standard of living
Productivity Income inequality

Chapter 7 – Financial Markets

Purposes of financial instruments Efficient markets & index funds Investment guidelines

Chapter 8 – The power of Organized Interests

Interest groups & politicians’ incentives Some regulations benefit business Tyranny of the status quo

Chapter 9 – Keeping Score

GDP: importance, real vs. nominal, per capita GDP growth & wage growth GDP misses social progress
Recessions Fiscal Policy Monetary policy Unemployment Poverty Inequality
Government budgets Deficit National savings

Chapter 10 – The Federal Reserve

Importance of The Federal Reserve “Easy” money causes inflation FOMC Deflation
The three monetary policy tools Money Inflation & effects Political pressure to allow inflation

Chapters 11- 13 – Trade and Globalization; Development Economics

Benefits and costs of trade Comparative advantage & specialization Protectionism
Trade raises real income Trade benefits for poor countries IMF
Importance of policies (vs. resources) Exchange rates

Part II. Current Event Assignments

- A. Pick any three major concepts from the book that you find interesting. Find a current event article (dated January 2020 or newer) from a credible news source for each of the three concepts. Print the article OR give the author, publisher (like Washington Post or New York Times), date and URL; indicate the concept you chose at the top of the page.
- B. Writing Assignment for each article:
 - a. Write a one paragraph overview of the article.
 - b. Write another paragraph explaining the connections between the concept and the information in the article.

Part III. Think of your own life. Pick a total of four concepts from any of the chapters. Give an example from your life to illustrate the concept. Use the following format.

Concept	Chapter	Example from my life