

A.P. Macroeconomics & Honors Economics Summer Project 2018

- Please obtain a copy of Common Sense Economics: What Everyone Should Know About Wealth and Prosperity by James Gwartney, Richard Stroup, and Dwight Lee (St. Martin's Press, 3rd edition, 2016).
- Please read pp 1-103, 121-137 & 172-230 and answer the following questions. Your answers should be typed or neatly handwritten.
- **DO NOT PLAGIARIZE!** Do not copy or paraphrase work done by your classmates. Please use parenthetical citing if you directly quote or paraphrase the authors in your answers.
- Your completed assignment is due the first day of class depending upon which semester you are enrolled in.

QUESTIONS TO BE COMPLETED

1. Explain what is the concept of opportunity cost. Give an example from everyday life (use a different one than those given in the book).
2. What are marginal benefits and marginal costs? Why they are important?
3. What does the concept of comparative advantage demonstrate?
4. Explain what is the significance of the "Invisible Hand" and market prices.
5. Explain why economists generally believe that it is important to consider secondary consequences or effects when making decisions.
6. Why are property rights and the rule of law important?
7. Explain how competition benefits consumers.
8. What is "creative destruction"?
9. What are the primary causes of inflation?
10. What are some of the benefits of international trade?
11. Define budget deficit, budget surplus, and national debt.
12. How does the concept of comparative advantage relate to career choice?
13. Explain why it is important to start saving early.
14. Why is diversification important to saving and investing?