AP Microeconomics [last name, first name]

**Getting Started**

*Chapter 1 Reading Guide*

pp 2-17

Directions: Type your responses in the space provided. Use full sentences, but be concise. Remember to save throughout so you don’t lose any of your work. Save the file as lastname.firstname.chp1.RG. When you have finished, upload this document to your Google Drive and share it with me at wchs.ap.economics@gmail.com.

Section 1.1: Definition and Questions (pp 2-8)

1. Define “scarcity.”
2. What creates or causes scarcity?
3. Define “economics.”
4. Identify the two questions that shed light on the scope of economics.
5. Define “goods and services.”
6. Explain how we determine “what” to produce. Do some research and identify at least five products that didn’t exist a decade ago. Explain why those products are no longer in existence.
7. Explain how we determine “how” to produce. Do some research and provide an example of two-three ways firms might choose to produce a product you like. Be specific. Be sure to indicate what the product is.
8. What does the “for whom” question refer to?
9. What is the difference between self-interest and social interest? (don’t just define both terms)
10. What are the two big concerns of social interest?
11. Economics assumes people will act in their own self-interest. Explain whether this always leads to what is best for society.

Section 1.2: The Economic Way of Thinking (pp 10-17)

1. Identify the five (5) core ideas that summarize the economic approach or economic way of thinking about the choices that must be made to cope with scarcity.
2. Define “rational choice.”
3. Explain why the rational choice isn’t always the *best* choice. Provide an example.
4. Define “opportunity cost.”
5. Define “sunk cost.”
6. Define “benefit.” How do economists measure an individual’s benefit?
7. Explain what making a choice on the “margin” means.
8. Define “marginal cost.”
9. Define “marginal benefit.”
10. Explain how people use marginal cost and marginal benefit to make decisions.
11. Define “incentive.”
12. Explain how a change in incentives might change a person’s actions.
13. Explain the difference between microeconomics and macroeconomics.
14. Explain the difference between a positive statement and a normative statement. Provide an example of each. Which type of statements do economists make?
15. Define “*ceteris paribus*.” Explain its significance in the study of economics.