



## 2021-2022 AP MICROECONOMICS SUMMER READING

Read **The Undercover Economist** by Tim Harford [The Undercover Economist, Revised and Updated Edition: Exposing Why the Rich Are Rich, the Poor Are Poor - and Why You Can Never Buy a Decent Used Car!](#) (the Kindle version is fine)

Answer the following questions about the book (in complete sentences) on a Google Doc. You will be given a folder in which to turn in your Google Doc. Number the questions as you answer each one.

The completed assignment will count as a test grade. It is due at 3:15 pm on August 13.

### The Undercover Economist Questions

1. When are you a price blind customer? When are you a price sensitive customer?
2. What does Tim Harford mean when he says bargaining strength comes through scarcity? Include examples to help explain the concept.
3. The author explains that it is efficient for companies to discover and exploit price sensitivity among its customers. Is it equitable? Why or why not?
4. What are monopoly rents and how does a company get them?
5. Do you give stores scarcity power through your own behavior? Will you be a more price sensitive shopper from now on? Please provide examples of your own shopping behavior to support your answer.
6. What are group price targeting strategies and individual price targeting strategies? What features do the products need for these price targeting strategies to work?
7. What kinds of truths are hidden in a non market system, and how can they be revealed? What place do these systems have in a free/mixed market economy?

8. Give an example of the Head Start Theorem at work in your day to day life or in current events. How is it able to achieve both efficiency and fairness? Do you think it is able to achieve its objectives without interfering with the market? Why or why not?
9. What is the difference between a positive externality and a negative externality? How should each be dealt with? Give an example for each.
10. Consider a real life situation in which your decisions have unintended consequences on others. How are the concepts mentioned in the book compensating for/changing the way you behave? Be sure to mention the concepts of Externality Charge, Revealed Preference, and/or the New Orleans Effect.
11. The author proposes a two part keyhole treatment for current healthcare systems. Do you agree with this proposal and find that it is fair, equitable, and efficient? If so, provide reasoning as to why you agree, and if not, propose another possibility that you believe would be a fair and efficient healthcare system.
12. What is “inside information” and what problems does it create in the market? Use a specific example, or examples from the novel to support your answer.
13. After reading Chapters 5 and 6, do you think you would buy shares and participate in the risky stock market game or would you stay as far away as possible? In your response, please back up your choice with facts and information from these two chapters. (Example--random walk theory, rationality, etc.)
14. How do people choosing a line at a grocery store relate to the decisions made by investors in regard to the stock market? How do the two situations differ? Please be sure to include “random walk theory” in your answer.
15. Give two contrasting examples where the qualities of game theory are demonstrated. How does the knowledge of game theory resolve/improve the scenarios?
16. If you had to sell a valuable good or service, would you do so through some form of auction? Why or why not? If not, suggest an alternative.
17. How does game theory relate to auctions? What does it reveal about them?

18. List two examples of corruption in Cameroon. How costly are these forms of corruption to society at large?
  
19. In Chapter 8 the author makes a bold statement about Cameroon's president (that he steals just enough so that he will have more to steal next year). Which of the author's ideas would you consider factual and which would you consider to be over-exaggerated?
  
20. Why do countries impose trade barriers on cheaper, foreign products? How are these barriers inefficient for both the exporter and the importer?
  
21. Compare the leadership of Deng to Mao in China. How do the economic actions taken by the two leaders compare with each other?
  
22. Using examples from the book, explain why the assumption that globalization only benefits rich countries is incorrect.
  
23. Do you believe globalization is as "green" as Harford claims? Do you support globalization?