

## Naked Economics Optional Summer Reading Study Guide

After reading the book (2019 edition! See the link below), please complete the following questions in a thorough manner (complete sentences and yes even a paragraph if you choose). Your responses must be typed, and they will be collected the third week of school – virtual or in person! This is NOT a required summer assignment but serves two purposes – one it is a really good book and two it gets you thinking about the topics we will discuss!

[https://www.amazon.com/Naked-Economics-Undressing-Dismal-Science/dp/0393356493/ref=sr\\_1\\_1?crid=2FH6DQXKJGN8J&dchild=1&keywords=naked+economics&qid=1591023093&sprefix=naked+econ%2Caps%2C162&sr=8-1](https://www.amazon.com/Naked-Economics-Undressing-Dismal-Science/dp/0393356493/ref=sr_1_1?crid=2FH6DQXKJGN8J&dchild=1&keywords=naked+economics&qid=1591023093&sprefix=naked+econ%2Caps%2C162&sr=8-1)

You can also find the book on google books if you look hard enough!

### Chapter 1: The Power of Markets

1. What are the two basic assumptions that economists make about individuals and firms?
2. What is the role and significance of prices in the market economy?
3. What's so great about a market economy anyway?

### Chapter 2: Incentives Matter

1. Explain how each of the following relates to efficient outcomes in a market economy:
  - adverse selection
  - “perverse incentives”
  - principal-agent problem
  - the prisoner’s dilemma.

### Chapter 3: Government and the Economy

1. In your own words, explain what an externality is.
2. Besides addressing externalities, what other important and beneficial roles does government play in our market economy?

### Chapter 4: Government and the Economy II

1. What are the main reasons why government should only take a limited role in a market economy?

### Chapter 5: Economics of Information

1. Wheelan explains that basic economic models assume that all parties have “perfect information.” How does “informational asymmetry” undermine our market economy?

### Chapter 6: Productivity and Human Capital

1. After reading Wheelan’s argument, do you agree that Bill Gates should be so much richer than you?
2. Evaluate the following statement from p. 113: “We should not care about the gap between rich and poor as long as everybody is living better.”

## **Chapter 7: Financial Markets**

1. Explain how get-rich-quick schemes violate the most basic principles of economics.
2. What advice about investing in the stock market did you find most interesting and/or useful?

## **Chapter 8: The Power of Organized Interests**

1. Why have mohair farmers earned a subsidy from the federal government for decades?

## **Chapter 9: Keeping Score**

1. Why is a nation's GDP a good measure of its economic well-being and progress?
2. Why is a nation's GDP a poor measure of its economic well-being and progress?

## **Chapter 10: The Federal Reserve**

1. What is the primary role of the Federal Reserve?
2. What is the significance of this role?
3. What is deflation, and why is it worse than inflation?

## **Chapter 11: Trade and Globalization**

1. What is the "good news about Asian sweatshops"?

## **Chapter 12: Development Economics**

1. After reading this chapter, what do you believe are the two greatest obstacles preventing poor countries from becoming rich?

## **Epilogue: Life in 2050**

1. What economic question do you have about life in 2050? About today's economy? About life in general?