

# Advanced Placement Macroeconomics Summer Assignment

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**Assigned Text:** *The Great Degeneration*, Niall Ferguson, Penguin Books, \$9.00 on Amazon Penguin Books | Jun 24, 2014 | 192 Pages | 5-1/16 x 7-3/4 | ISBN 9780143125525

## **Reading Assignment**            *The Great Degeneration*, by Niall Ferguson

Students are to read the first two chapters of Niall Ferguson's book. Each chapter will have a set of questions for which short answer responses will be asked. Read carefully and think about what the author is saying. AP Macroeconomic students are expected to complete the summer assignment before school begins and will need to bring their copy of the book to class. Hard copies or e-books are fine as long as you can highlight or annotate. **The first 2 chapters are due the fifth day of class.**

- All responses must be **handwritten** and in complete sentences.
- Typed responses will not be accepted
- The length of the response will be determined by however long it takes to properly and completely answer the question. The other chapters will be assigned once school begins.
- **Read the introduction** and then Chapters 1 and 2. Answer the following questions.
- Be prepared for class discussion

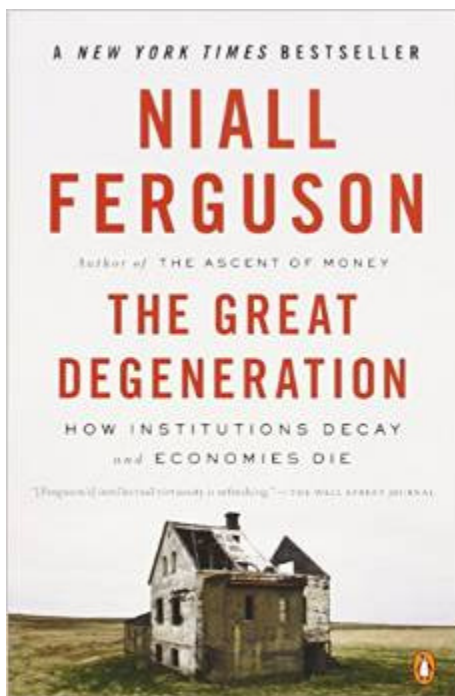
### **Chapter 1** "The Human Hive"

1. Explain deleveraging.
2. What is a "stationary state" as described by Adam Smith? Cite examples and explain how Smith viewed the economies of the west.
3. Ferguson's book is an analysis of the causes of the stationary state of the major western economies including Great Britain and the US. What is his thesis?
4. Describe the main components of the Four Black Boxes. Cite examples.
5. Chapter 1 is titled the Human Hive. Is that an accurate metaphor for what Ferguson calls "institutions?" Explain why or why not.
6. How are institutions a catalyst for the great divergence between the West and the rest of civilization?
7. Why was the Glorious Revolution so important in the development of British society and thus American society? (p27) (32-34)
8. What is the difference between inclusive and extractive institutions? (p29)
9. Are property rights fundamental to economic growth, how does Hernando de Soto explain their importance. (pp 29-31).
10. What is the *partnership between generations*? How is it relevant to today?

11. How does Ferguson advise a solution? Is it feasible? Would Americans agree? Would political leaders have the will to address the problem? **(This is a four part question-give it some thought before you write).**

**Chapter 2** “The Darwinian Economy”

1. Economist Paul Krugman blames a lot of economic problems on the deregulation of banks in the 1980’s. Ferguson refutes that claim –**how?**
2. Explain what Ferguson means when he asks “Who Regulates the Regulators?”
3. Walter Bagehot uses Darwin’s theory of evolution as a metaphor for growing economies? Was he right? Explain.
4. How does government regulation of today pose a threat to the economy it is trying to protect?
5. Explain Bagehot’s ideas of remedies for a “fragile and complex financial system.”



**Chapter 3-** Due after Thanksgiving. “The Landscape of Law”

1. What are the 7 criteria for the Rule of Law? Under Rule 5 Lord Bingham lists 14 different human rights. Why are those specific rights under Rule 5 so important in a democracy and critical in a Free Market Economy? Can a government pick and choose which ones to uphold?

2. Can you keep adding to the list without at some point infringing on someone else or becoming ridiculous?
3. Explain the importance of the Magna Carta and its legacy on democracy and economic principles.
4. On p.82, Ferguson explains the “real point” of English history. Summarize in your own words those vital principles in English society.
5. Dworkin elaborated those views by stating that, “the state act on a single, coherent set of principles even when its citizens are divided about what the right principles of justice and fairness really are...” Is Dworkin suggesting the judicial branch expand law or keep to a single set of principles?
6. How is the rule of law able to restrain the “grabbing hand” of the “rapacious state” and why is that important for economic prosperity?
7. Which is the most important- property rights or human rights? Explain why. Think about it. Human rights can’t exist without property rights? Think about Locke. Why do you think Thomas Jefferson referred to “pursuit of happiness” instead of enumerating a long list of human rights? (Life, liberty, and pursuit of happiness are short and sweet)
8. Summarize Shleifer’s views on the superiority of common law countries.
9. Alexis de Tocqueville stated that the French prefer equality to liberty. What does that lead to?

pp. 90-96. Read for understanding that throughout England and America the common law system has evolved. Ferguson argues that this ability to adapt has helped spur economic growth and prosperity thus moving the English speaking countries ahead of the rest of the world in terms of economic development. **Is this a valid conclusion to make?**

#### Then and Now- The Rule of Law’s Enemies

1. Explain the threats that are encroaching on the rule of law in the West?
2. Limited government is a major foundational principle in democracy and economic wealth. How has the West broken down that fundamental principle and what do you think are the ramifications of that going forward?
3. Where is legal reform improving? What are the results?
4. How is the rule of law different from the rule of lawyers?