

Chapter 16: INSTRUCTIONAL OBJECTIVES

After completing this chapter, students should be able to:

1. Identify the characteristics of public goods and explain how they differ from private goods.
2. Describe graphically the collective demand curve for a particular public good and explain this curve.
3. Explain why the supply curve for public goods is upward sloping and explain how the optimal quantity of a public good is determined.
4. Identify the purpose of cost-benefit analysis and explain the major difficulty in applying this analysis.
5. Explain what is meant by externalities.
6. Describe graphically and verbally how an overallocation of resources results when negative externalities costs are present and how this can be corrected by government action.
7. Describe graphically and verbally how an underallocation of resources occurs when positive externalities are present and how this can be corrected by government action.
8. Explain the Coase theorem, its significance, and the three conditions necessary for it to work.
9. Describe three policies that would reduce negative externalities.
10. Use an example to explain a market for pollution rights and how this market would lead to a better allocation of resources.
11. Discuss the predicted effects of global warming and how cost-benefit could be used to determine international policies and goals
12. Give two examples of how inadequate information about sellers can create a market failure.
13. Explain the moral hazard and adverse selection problems faced by sellers.
14. Define and identify terms and concepts listed at the end of the chapter.

Chapter 17: INSTRUCTIONAL OBJECTIVES

After completing this chapter, students should be able to:

1. Explain the problems created with majority voting and the median-voter outcome.
2. State four reasons given by public choice theorists for government's inefficiency in providing public goods and services.
3. Differentiate between the benefits-received and ability-to-pay principles of taxation.
4. Identify which taxes are progressive, proportional, and regressive.
5. Describe how elasticities of demand and supply are related to the incidence of a sales or excise tax.
6. Explain the relationship between the elasticities of demand and supply and the efficiency loss of a particular tax.
7. Describe the probable incidence of the personal income tax, corporate income tax, sales and excise taxes, and property tax.

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8. Explain the U.S. structure relative to the progressivity or regressivity of Federal, state, and local taxes.
9. Define and identify the terms and concepts listed at end of the chapter.

Chapter 18: INSTRUCTIONAL OBJECTIVES

After completing this chapter, students should be able to:

1. Outline the major provisions of each of the following: Sherman Act, Clayton Act, Federal Trade Commission Act, Wheeler-Lea Act, and Celler-Kefauver Act.
2. Identify major issues in antitrust enforcement by reviewing decisions in Standard Oil, U.S. Steel, Alcoa, and DuPont cellophane Supreme Court cases.
3. Identify the different perspectives on antitrust enforcement and how that affects the strictness with which antitrust laws are enforced.
4. Analyze effectiveness of antitrust laws by noting how they have been applied to monopolies, mergers, and price fixing.
5. Distinguish between three types of merger.
6. Explain how the Herfindahl index is used as a guideline by the government in deciding whether to permit horizontal mergers.
7. Define *price fixing*, *price discrimination*, and *tying contracts*, and explain which are strictly prohibited, which are permitted, and why.
8. Identify the options that government might use when a natural monopoly exists.
9. Explain why a regulated monopoly does not have an incentive to reduce costs.
10. Explain two major problems encountered in regulating natural monopolies.
11. Discuss the history and results of deregulation in the U.S. since 1970.
12. Explain the difference between *industrial regulation* and *social regulation*.
13. State the major arguments for and against social regulation.
14. Define and identify terms and concepts listed at the end of the chapter.

Chapter 19: INSTRUCTIONAL OBJECTIVES

After completing this chapter, students should be able to:

1. Describe both the long-run and short-run farm problems.
2. State three causes of short-run price and income instability in agriculture.
3. State two causes of the long-run decline in the agriculture industry.
4. Explain the rationale for the past government farm policies.
5. Define and explain the significance of parity.
6. Explain price supports verbally and graphically.
7. State seven effects of price supports.

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8. Describe two government policies used to limit surpluses.
9. Present three criticisms of the price-support system.
10. Use public choice theory to explain the contradictions in U.S. farm policy.
11. Explain how the politics of the farm-subsidy program have changed.
12. Describe the world trade impact of current farm programs in the European Union and the U.S.
13. State the goals of the Freedom to Farm Act of 1996.
14. Explain the features of the Farm Act of 2002.
15. Define and identify terms and concepts listed at the end of the chapter.

Chapter 20: INSTRUCTIONAL OBJECTIVES

After completing this chapter, students should be able to:

1. Describe the distribution of income in the United States by personal income categories by households and quintile distribution by households.
2. Explain how a Lorenz curve is used to describe income inequality.
3. Explain how a Gini ratio measures income inequality and is related to the Lorenz curve.
4. Discuss the impact of income mobility on income distribution data.
5. Explain the broadened concept of income, which includes the effects of taxes and transfer payments, and how this affects the extent of inequality of income and poverty in the U.S.
6. List seven causes of an unequal income distribution.
7. Describe changes and causes for the changes in inequality since 1970.
8. State and evaluate the cases for and against income inequality, using the equality vs. efficiency argument.
9. Define poverty as the Federal government does.
10. Identify the rate of poverty in the U.S., and the incidence of poverty for various demographic groups, including African-Americans, Hispanics, and female-headed households; identify some of the reasons for the poverty of each group.
11. Identify the measurement issues that can make interpretation of poverty data difficult.
12. Contrast social insurance and public assistance (welfare) programs.
13. Describe the major social insurance programs.
14. Describe and evaluate the major public assistance (welfare) programs.
15. Explain the differences between social insurance programs and public assistance programs.
16. Describe and evaluate the goals and conflicts inherent in public assistance programs.
17. Explain the criticisms of the old welfare system.
18. Describe the major provisions of the Personal Responsibility Act of 1996.
19. Define and identify terms and concepts listed at the end of the chapter.