

Chapter 5 The Public Sector

According to your text, what is the price system good at?

What is a market failure?

What is an externality?

Give an example of a negative externality.

Give an example of a positive externality.

When you show a negative externality on a graph, which curve moves? Sketch the graph from 5-1 for steel.

When you show a positive externality on a graph, which curve moves? Sketch the graph for 5-1 for inoculations.

What are two policies that government can use to correct for negative externalities?

What are two policies that government can use to correct for positive externalities?

List three functions of government in a capitalist society, then give a sentence explanation of each one.

1.

2.

3.

What is the definition of a public good?

What is the free-rider problem?

What is a government sponsored good? Give an example.

What is a government inhibited good? Give an example.

How is income redistribution made possible with transfer payments and transfers in kind?

List several different ways economists measure the public sector to see if it has grown or shrunk?

According to figure 5-2, what has been the trend in government outlays since 1890 to the present?

What is the Medicare program?

How is Medicare financed?

According to your textbook (chart 5-4), what impact has increased government subsidies on medical care had on price of medical services?

What is Medicaid? How is it different from the Medicare program?

How much does the US federal government spend on education? What percent of the national budget does this represent?

Who is responsible for funding the largest portion of education?

According to your textbook, why has the cost of education (dollars per-pupil) increased, even when the student performance hasn't always improved?

List the similarities between the Market and Public Sector Decision making:

How is the incentive structure different in the market and the government?

List the differences between market and collective decision-making: