**Name:\_\_\_\_\_\_\_\_\_\_\_**

**Chapter 3 pages 54-79**

**Due 8/31**

**25 points**

1. What is an externality? What does he mean when he says: “There is no market solution in this case; the market is the problem”? (55)
2. What are the two mechanisms (tools) that government can use in dealing with externalities? (59-60)
3. What are the problems with using taxes to deal with externalities? (61-62)
4. Why are property rights (including copy right and patent law) so important? (66-67)
5. In what ways does government lower the cost of doing business? (69)
6. A big role for the government is the creation of “public goods.” What are public goods and how do they resolve the problem of the “free-rider?” Discuss the examples of Basic Research, Law Enforcement and Parks. (72-74)
7. The concept that the government redistributes wealth is a controversial topic. Why is this more a philosophical issue rather than an economic issue according to the author? (75-76)
8. The author asks: “should government protect people from themselves?” What is the range of possible options? Explain some of the examples provided by the author. How would you answer this question? (77-79)