

## **Chapter 1 to Chapter 9**

See the study guides for previous chapters.

## **Chapter 10**

1. What is externality? What is negative externality and what is positive externality? What is the effect of an externality on economic efficiency?
2. When we have a negative externality, what is the relationship between the market equilibrium quantity and the social optimal quantity? What is the relationship between private costs and social costs?
3. When we have a positive externality, what is the relationship between the market equilibrium quantity and the social optimal quantity? What is the relationship between private values and social values?
4. What are the private solutions for the externality problem?
5. What is the Coase Theorem?
6. Can you give a concrete example on how contracting between private parties can solve the externality problem?
7. When private solutions will fail?
8. What are the two main public methods to solve the externality problem?
9. What is a Pigovian Tax? What is a tradable pollution permit?

## **Chapter 11**

1. What is Excludability? What is Rivalry? What are private goods, public goods, common resources and natural monopolies?
2. What is the free-rider problem? What is the solution to this problem?
3. What are some of the important examples of public goods and what are the possible solutions?
4. What is cost-benefit analysis and why sometimes it is difficult to carry out such analysis?
5. What are some of the important examples of the common resources and what are the solutions?

## **Chapter 19**

1. What are the important determinants of the equilibrium wage a person gets?
2. What is compensating differential? Can you give some examples?
3. What is human capital? What is the most important type of human capital?
4. Why has the gap in earnings between skilled and unskilled workers widened in recent years?
5. What are the two market conditions for superstars to arise?
6. What are union, strike and efficiency wages?
7. What are the two views of education?
8. What is discrimination?

9. Why simply observing differences in wages between two groups of workers does not necessarily mean there is discrimination?
10. Why competitive markets tend to limit the impact of discrimination?

## **Chapter 20**

1. What are the basic facts about income inequality in U.S.?
2. What are poverty rate and poverty line?
3. What are the main factors that affect our ability to measure the income inequality precisely?
4. What is economic mobility?
5. What are the three main philosophies of redistributing income? What are their main principles and the arguments for these principles?
6. What are the main government policies to reduce poverty? What do advocates and opponents of these policies say about them?
7. What is the effect of the minimum wage on the market for labor?