

Essential Questions:

1. What types of goods and services cannot be efficiently provided by the private sector?
2. When and how should governments intervene in free market economies?

Learning Objectives:

3. Define and describe price controls.
4. Graphically illustrate the effect of price controls on P_e , Q_e , consumer surplus, and producer surplus.
5. Explain why price controls are used despite their economic and political costs.
6. Define externality and explain how they lead to market inefficiency.
7. Explain why externalities often require government intervention.
8. Describe options for addressing externalities.
9. Define public goods and explain why markets fail to supply efficient quantities of public goods.
10. Define common resources and explain why they are overused.

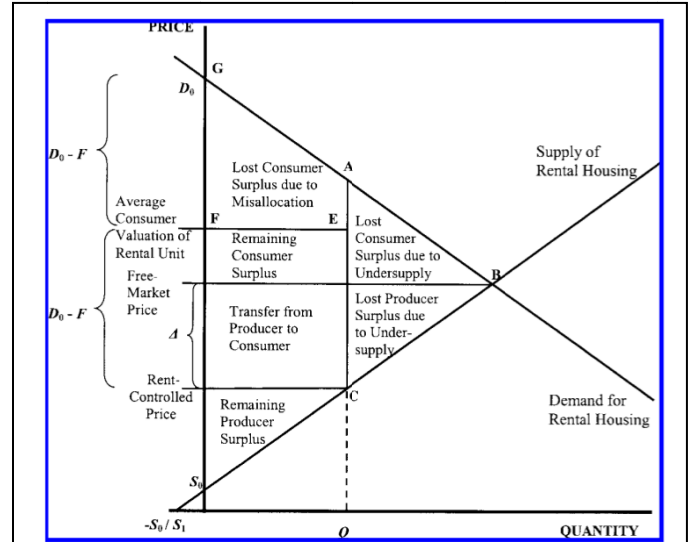


FIGURE 2. THE WELFARE LOSSES FROM RENT CONTROL WHEN APARTMENTS ARE RANDOMLY ALLOCATED ACROSS CONSUMERS

Key Terms:

1. Black market	10. Marginal private benefit	19. Price ceiling
2. Coase theorem	11. Marginal private cost	20. Price floor
3. Common resource	12. Marginal social benefit	21. Private good
4. Deadweight loss	13. Marginal social cost	22. Public good
5. Excludable / Non-excludable	14. Minimum wage	23. Rival in consumption / Non-rival in consumption
6. External benefit	15. Negative externality	24. Socially optimal quantity
7. External cost	16. Pigouvian subsidy	25. Technology spillover
8. Free-rider problem	17. Pigouvian tax	26. Tradable emissions permit
9. License	18. Positive externality	27. Transaction costs

Parts:

- A. Price and quantity controls
- B. Externalities
- C. Public Goods and Common Resources

Calendar:

DAY		TOPIC	HW DUE / SCHEDULED TEST
28-Oct	Tuesday	Price Controls	None
29-Oct	Wednesday	Price Controls	Price Controls Reading Packing / Quick Quiz
30-Oct	Thursday	Price Controls	<ul style="list-style-type: none"> • Have read <ol style="list-style-type: none"> 1. "Higher Minimum Wage No Longer Seen as Sure-Fire U.S. Job Killer," 2. "The Young and the Jobless," 3. "McDonald's Low Wages Cost Taxpayers," and 4. "Doubling McDonald's Salaries . . ." • Have written one journal reflection and be prepared for discussion
31-Oct	Friday	Externalities and Public Policy	Externalities Reading Packet / Quick Quiz
03-Nov	Monday	Externalities and Public Policy	Externalities Reading Packet / Quick Quiz
04-Nov	Tuesday	Externalities and Public Policy	Price Controls and Externalities Practice Problems
05-Nov	Wednesday	Public Goods and Common Resources	Public Goods and Common Resources Reading Packet / Quick Quiz
06-Nov	Thursday	Public Goods and Common Resources	Public Goods and Common Resources Reading Packet / Quick Quiz
07-Nov	Friday	Public Goods, Private Goods, Common Resources, and Artificially Scarce Goods	Take Home Test Quiz
10-Nov	Monday	Unit 3 Debrief	None (per SMIC policy)
11-Nov	Tuesday	First Quarter review	None (per SMIC policy)