1. The authors claim that "when you book a hotel room or enjoy entry to an airport lounge at no cost, poor consumers are ultimately footing the bill." How is this so? Explain what the authors mean. (NOTE: you will have to read most of the article to be able to answer this question. You will not find the answer right below the quote.)

The author is claiming theat poor consumers are footing the bill because to be able to give wealthy patrons credit cards with higher quality rewards they desire, the companys are increasing the credit card fee rates for business. The increase in fee rates cause businesses to charge more for their products. Although everyone has to pay more for these products it is disproportionately affecting poor people since they are unlikely to be able to get credit cards the offer rewards, or any credit card at all. They are the externality who experience the drawbacks without any of the rewards.

2. What kinds of things are card holders getting in exchange for the annual fee of $550?

Card holders are able to get a miriad of different rewards from the Chase sapphire reserve card, mostly perks, bonuses and points for travel and diners.

3. Why are "the poor are much less likely to have access to rewards credit cards, even if they want them"?

The poor are less likely to have access since the are often unable to raise their credit scores and have very low scores. Most premium card that offer things like rewards require a minimum credit score of 700, and very few pooror people have that. Credit card issuers also consider peoples dept to income ratio and can disqualify applicants with this despite their credit score. Banks dont wish to issue these cards to people who arent likely to make big purchases of spend a lot of money.

4. What are two potential problems that could arise from addressing this issue?

One problem is that if this system is changed there will be more network security issues and mre vulnerability to hackers. The smaller companies who will join will have less advanced technology and be more susceptible to attack. The second would be that banks would create more fees to make up for the lost revenu.

5. Find a word or phrase in the article (that I did not define at the beginning of class) that you don't know or understand. If you cannot find anything, ask a question of the authors.

Aggregate costs - the total amount of money required to create a product of service.