

PFL Academy

Teacher Guide: Chapter 52 — Government and the Economy - Personal Impact

OVERVIEW

TIME	MATERIALS	PREREQUISITES
45-50 Minutes	Student Activity Packet	L-50 Supply & Demand, L-51 Market Structures

LESSON FLOW

5 min THE CHALLENGE

- Read Malik's scenario aloud—connects to environmental protection, public services, and excessive regulation.
- Discussion: "Can you think of a time government helped or hurt your finances?"
- Preview: Today we'll develop a framework to evaluate when intervention makes sense.

10 min CORE CONCEPTS

- Review 5 key terms. Emphasize "market failure" as the trigger for intervention.
- Draw the four market failures on board: Monopoly, Externality, Public Good, Information Asymmetry.
- Quick check: Ask for real-world examples of each type of market failure.

25-30 min APPLY IT

- **Part A (10 min):** Market Failure Identification. Circulate to ensure students understand each scenario and can classify correctly.
- **Part B (10 min):** Policy Impact Analysis. Review supply/demand shifts from L-50. Help with gas tax calculation.
- **Part C (10 min):** Cost-Benefit Analysis. Encourage students to consider multiple perspectives on minimum wage.

10 min CHECK YOUR UNDERSTANDING

- Complete in class or assign as homework.
- Review Q3 (pollution tax calculation) for math accuracy.
- Use Q5 (reflection) to spark discussion about appropriate government role.

DIFFERENTIATION

Support

- Provide visual flowchart: Problem → Is it a market failure? → Which type? → Appropriate solution.
- Work through Scenario 1 (pollution) together as a class example.
- Pre-fill the supply/demand shift directions for Part B.
- Partner struggling students for the cost-benefit analysis.

Extension

- Research a specific policy debate (carbon tax, universal healthcare) and conduct full cost-benefit analysis.
- Calculate total tax burden (all taxes) as percentage of family income.
- Compare government services in your state vs. neighboring states.
- Write op-ed arguing for or against a specific policy.

ANSWER KEY

Part A: Market Failure Identification

Scenario 1 (Pollution): EXTERNALITY (negative). Intervention justified: Yes. Best solution: Tax on pollution, emissions regulations, or require cleanup.

Scenario 2 (National Defense): PUBLIC GOOD. Intervention justified: Yes. Best solution: Government provision funded by taxes.

Scenario 3 (Used Cars): INFORMATION ASYMMETRY. Intervention justified: Yes. Best solution: Disclosure requirements, lemon laws, warranty requirements.

Scenario 4 (Utility): MONOPOLY (natural monopoly). Intervention justified: Yes. Best solution: Price regulation by public utility commission.

Part B: Policy Impact Analysis

Tax on gasoline: Supply shifts LEFT, Price INCREASES, Quantity DECREASES

Subsidy for solar: Supply shifts RIGHT, Price DECREASES, Quantity INCREASES

Rent control: Creates SHORTAGE, Price stays LOW, Shortage of APARTMENTS

Minimum wage: Creates SURPLUS, Wage stays HIGH, Surplus of LABOR (unemployment)

5. $10,000 \text{ miles} \div 25 \text{ MPG} = 400 \text{ gallons}$. $400 \times \$0.50 = \text{\$200/year}$ in gas tax.

6. Accept: Road maintenance, highway construction, bridges, public transit subsidies, traffic safety, etc.

Part C: Cost-Benefit Analysis

Minimum wage analysis should include: Benefits (higher income for workers who keep jobs, reduced poverty, more spending) and Costs (potential job losses, higher prices, reduced hours, automation). Verdicts will vary—evaluate reasoning quality, not specific conclusion.

Check Your Understanding

1. B (Externality)

2. National defense is a public good—non-excludable (protects everyone regardless of payment) and non-rivalrous (protecting one person doesn't reduce protection for others). Private markets underprovide due to free-rider problem.

3. Original: $1,000 \text{ tons} \times \$50 = \$50,000$. But emissions reduce 40%, so 600 tons remain. Tax revenue: $600 \times \$50 = \text{\$30,000}$. Remaining emissions: **600 tons**.

4. At below-market prices, quantity demanded exceeds quantity supplied. Landlords don't build new units (low profit), some exit market, but more renters want cheap apartments. Result: more people want apartments than are available = shortage.

5. Reflection should include specific policy examples and clear reasoning. Evaluate quality of argument, not political position.

COMMON MISCONCEPTIONS

Misconception	Clarification
"Markets always work perfectly without government."	Market failures (externalities, public goods, monopolies, info asymmetry) are real and can justify intervention. The question is whether intervention makes things better or worse.
"Government intervention always helps."	Intervention has costs (taxes, reduced freedom, unintended consequences) and may make things worse. Price controls often create shortages or surpluses.
"Taxes just take money away."	Taxes fund services (roads, schools, defense, safety). The question is whether you're getting good value for your taxes, not whether taxes

	exist.
"Regulations only hurt businesses."	Regulations protect consumers (safety, information, quality) but do impose costs. Good policy weighs both sides.