If the two theorems of optimality are true, then what is the best way to make social policy?

1. Redistribute money
2. Price controls
3. Quality checks and licensing
4. Don’t do anything

Which of the following are examples of non-marketability?

1. You cannot sell your kidney
2. You cannot put the externality of someone failing to get immunized into their costs
3. You cannot sell medical services
4. You cannot sell medical devices

How is demand in the medical sector different from demand for normal commodities? [Select all that apply]

1. Whereas demand is consistent or predictable for most commodities, it is not consistent or predictable for medical care
2. The demand for medical services is sometimes related to a reduction in earning ability
3. The individual demand curve for medical services is perfectly inelastic
4. Preventative care does not follow normal demand characteristics

The ethical expectations of doctors are that they will prioritize profits over patients.

1. True
2. False

According to Arrow, why is it difficult for consumers to know about the quality of the product they’re buying in medical care?

1. Treatment is not the same as a cure, and the consumer can’t know what is good treatment and what isn’t
2. Doctors cannot advertise to let consumers know their quality
3. People who are sick are less able to make informed decisions than healthy people
4. People do not know their own demand preferences with regards to the value of being healthy

What is the main restriction on supply of medical care in the US?

1. Very difficult medical training and licensing
2. Restrictions on the number of hospitals
3. Price ceilings on medical procedures
4. Patients do not have enough money

What does Arrow suggest leads to adverse selection?

1. Pooling of unequal risks
2. Gaps in coverage
3. Administrative costs
4. Third-party controls over payment

According to Arrow, what would be covered by “ideal insurance”? [Select all that apply]

1. Medical treatment if a person gets sick
2. Compensation if medical treatment is not effective
3. Preventative care
4. Market failure

What does Arrow claim the main difference between medical care and normal markets is?

1. Uncertainty
2. Moral Hazard
3. Ethical Standards
4. Inelastic Supply