

Name: _____

Score: _____

54 Multiple choice questions

Term

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private rates of return

- ☐ the estimated rates of return go primarily to an individual; for example, earning interest on a savings account.
- ☐ The percentage of the population below the poverty line in any given year.
13.4% of the population in America is living below poverty line
- ☐ the specific amount of income one requires for a basic standard of living. The poverty line in US is below 24k for a family of 4
- ☐ externalities that cross national borders and that a single nation acting alone cannot resolve

Definition

the value of all the positive externalities of the new idea or product (whether enjoyed by other companies or society as a whole) as well as the private benefits the firm that developed the new technology receives.

=private benefits + external benefits

☐ **Private Benefits**

☐ **Social Benefits**

☐ **Property Rights**

☐ **social costs**

Definition

give the author an exclusive legal right over works of literature, music, film/video, and pictures

- ☐ patent
- ☐ copyright laws
- ☐ Poverty Traps
- ☐ income inequality

Definition

- 9.1. If I like it, it's mine
2. If it's in my hand, it's mine
3. If I can take it from you, it's mine
4. If I had it a little while ago, it's mine
5. If it's mine, it must never appear to be yours in any way
6. If I'm, doing or building something, all the pieces are mine.
7. If it looks just like mine, it is mine.
8. If I saw it first its mine.
9. If you are playing with something and you put it down, its automatically mine
10. If its broken, its yours!

Marketable Permit Program

- ☐ **Pollution Charge**
- ☐ **Toddler Property Laws**
- ☐ **Special interest groups**

Definition

The tradeoff between economic output and the environment can be analyzed with a production possibility frontier, PPF.

*Economist believe that an inefficient choice on the PPF is undesirable.

*Market-oriented environmental tools offer a mechanism for providing either the same environmental protection at lower cost, or providing a greater degree of environmental protection for the same cost.

- ☐ **Pollution Charge**
- ☐ **PPF (Production Possibility Frontier)**
- ☐ **What Safety Nets were created.to help with poverty?**
- ☐ **positive externalities or benefits**

Definition

Bigger is better bc you can lower the average cost of production

- ☐ **Economies of scale**
- ☐ **copyright laws**
- ☐ **Biodiversity**
- ☐ **social rate of return**

Definition

(e.g. cap-and-trade) a permit that allows a firm to emit a certain amount of pollution.

*Firms with more permits than pollution can sell the remaining permits to other firms

- ☐ **Special interest groups**
- ☐ **Marketable Permit Program**
- ☐ **Market Failure**
- ☐ **Rational ignorance**

Term**Estate Tax**

- ☐ even when one person uses the public good another can also use it
- ☐ a tax imposed on the value of inheritance.
- ☐ The full spectrum of animal and plant genetic material.
- ☐ good that nonexcludable and non rival

Term

Median voter theory

a theory held by economist that the greater economic equality will cause less economic efficiency

***the idea that a nations efforts to provide more income equality can result in less efficiency (less output)**

Why? it provides both groups with less incentive. a higher income earner feels they are being punished for earning more if they know more earnings are going make them pay more taxes. The lower income families know if they earn more they will lose some of their benefits. This cause both groups to give less output.

theory that politicians will try to match policies to what pleases the median voter preferences

costs that include both the private costs incurred firms and also additional costs incurred by third parties outside the production process.

- ☐ the estimated rates of return go primarily to an individual; for example, earning interest on a savings account.

Definition

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those who want others to pay for the public good and then plan to use the good themselves.

*If too many people act as free riders, the private sector may never provide a public good

- ☐ Quintile
- ☐ International Environmental Issues
- ☐ Positive externality
- ☐ Free Rider

Definition

good that nonexcludable and non rival

- ☐ **social costs**
- ☐ **Estate Tax**
- ☐ **non-rival**
- ☐ **Public Good**

Term

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3 Difficulties with command -and-control environmental regulation

taking income from those with higher incomes and providing income to those with lower incomes.

- *shifting funds from higher incomes to that of lower incomes like providing child care, putting money into education.
- *Redistribution makes the poor less poor

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1. Regulation offers no incentive to improve the quality of the environment beyond the standard set by a particular law. (no incentive to do better.)

2. Inflexible *Requires the same standard for all polluters, and often the same pollution-control technology as well.

3. Subject to compromises in the political process. * Full of fine print, loopholes, and exceptions.

Definition

when the estimated rates of return go primarily to society

- ☐ pork barrel spending
- ☐ Social Benefits
- ☐ social rate of return
- ☐ Economies of scale

Term

Safety Net

a situation where a third party, outside the transaction, benefits from a market transaction by others.

EX. if you are a business owner that has a business in high crime and you pay a

- ☐ **street light to be installed and you know that the flood light worked so well it helped the neighbor business not get broke into. you ask the neighbor to help pay for it, but he doesn't want to. the neighbor is benefitting from what you paid for and this is a positive externality**

***No nation acting alone can solve certain environmental problems which spill over national borders.**

***No nation by itself can reduce emissions of carbon dioxide and other gasses**

- ☐ **by enough to solve the problem of global warming.**

Biodiversity -The full spectrum of animal and plant genetic material.

International externalities- externalities that cross national borders and that a single nation acting alone cannot resolve

a situation where a third party, outside the transaction, suffers from a market transaction by others.

EX. Pollution is a negative externality. if you dump pollution into a reservoir and no one wants to swim or ski in it, it hurts the other businesses.

The group of Government programs that provide assistance to the poor and the near poor.

In 1964 President Johnson declared a war on poverty bc the poverty rate was at 18% so a social safety net was created.

Definition

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committed participating countries to significant limits on CO2 emissions

☐ Paris Climate Agreement

☐ Additional external costs

☐ Positive externality

☐ Progressive Tax System

Term

Positive externality

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Term

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What Safety Nets were created to help with poverty?

groups that are small in number relative to the nation, but well organized and thus exert a disproportionate effect on political outcomes



***Can pressure legislators to enact public policies that do not benefit society as a whole**

taking income from those with higher incomes and providing income to those with lower incomes.



***shifting funds from higher incomes to that of lower incomes like providing child care, putting money into education.**

***Redistribution makes the poor less poor**

the benefits to an individual or business when they produce or consumes a



good or service, or a new product's benefits or process that a company invents that the company captures

(TANF) Temporary Assistance for Needy Families

(ETIC Earned Income Tax Credit

☐ **(SNAP) Supplemental Nutrition Assistance Program AKA (Food Stamps)**

Medicaid- Joint health insurance program between states and federal government.

Definition

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False

- ☐ **T/ or F Because the USA has the highest GDP, then the USA has the highest average household income in the world.**
- ☐ **3 Difficulties with command -and-control environmental regulation**
- ☐ **What is the average household income in America?**
- ☐ **What Safety Nets were created.to help with poverty?**

Term

Poverty

- The percentage of the population below the poverty line in any given year.
13.4% of the population in America is living below poverty line
- give the inventor the exclusive legal right to make, use, or sell the invention for a limited time
- Antipoverty programs set up so that government benefits decline substantially as people earn more income - as a result, working provides little financial gain.
- measured by the number of people who fall below a certain level of income, called the poverty line

Term

patent

- give the author an exclusive legal right over works of literature, music, film/video, and pictures
- externalities that cross national borders and that a single nation acting alone cannot resolve
- give the inventor the exclusive legal right to make, use, or sell the invention for a limited time
- the estimated rates of return go primarily to an individual; for example, earning interest on a savings account.

Term

nonexcludable

- The percentage of the population below the poverty line in any given year.
13.4% of the population in America is living below poverty line
- it is costly or impossible to exclude someone from using the good , and thus hard to charge for it
- the specific amount of income one requires for a basic standard of living. The poverty line in US is below 24k for a family of 4
- costs that include both the private costs incurred firms and also additional costs incurred by third parties outside the production process.

Definition

costs that include both the private costs incurred firms and also additional costs incurred by third parties outside the production process.

- ☐ **Poverty line**
- ☐ **Externalities**
- ☐ **social costs**
- ☐ **Special interest groups**

Definition

The legal rights of ownership on which others are not allowed to infringe without paying compensation.

*Property rights issues are highly relevant in cases involving endangered species on privately owned land.

☐ **Property Rights**

☐ **Poverty Traps**

☐ **Poverty line**

☐ **Private Benefits**

Term

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Redistribution

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=private benefits + external benefits

taking income from those with higher incomes and providing income to those with lower incomes.

*shifting funds from higher incomes to that of lower incomes like providing child care, putting money into education.

*Redistribution makes the poor less poor

When the market, on its own, does not allocate resources efficiently in a way that balances social costs and benefits.

*If firms were required to pay the social costs of pollution, they would create less pollution but produce less of the product and charge a higher price.

a tax imposed on the quantity of pollution that a firm emits; also called a pollution tax

***Gives a profit-maximizing firm an incentive to determine the least expensive technologies for reducing pollution.**

***Firms that can reduce pollution cheaply and easily will do so to minimize their pollution taxes**

Term

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laws that specify allowable quantities of pollution and that also may detail which pollution-control technologies must be used

***Requires that firms "increase their costs" by installing "anti-pollution equipment"**

***Thus, firms are required to "account for the social costs of pollution" in deciding how much output to produce.**

- the benefits to an individual or business when they produce or consumes a**
- ☐ **good or service, or a new product's benefits or process that a company invents that the company captures**

Definition

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the benefits to an individual or business when they produce or consumes a good or service, or a new product's benefits or process that a company invents that the company captures

- ☐ **Poverty Rate**
- ☐ **Poverty Traps**
- ☐ **Social Benefits**
- ☐ **Private Benefits**

Term

intellectual property rights

the body of law including patents, trademarks, copyrights, and trade secret law that protect the right of inventors to produce and sell their inventions

A Tax system in which the rich pay a higher percentage of their income in taxes, rather than a higher absolute amount.

Mathematically a higher tax bracket makes the richer less rich

the estimated rates of return go primarily to an individual; for example, earning interest on a savings account.

externalities that cross national borders and that a single nation acting alone cannot resolve

Definition

- *Tools of Marginal analysis can be used to illustrate the marginal costs and the marginal benefits of reducing pollution.
- *Reducing pollution is costly-resources must be sacrificed.
- *The Marginal costs of reducing pollution are generally increasing, the least expensive and easiest reductions can be made first, leaving the more expensive methods for later.
- *The marginal benefits of reducing pollution are generally declining, The steps that provide the greatest benefit can be taken first. and steps that provide less benefit can wait until later.

- ☐ **Benefits of a cleaner environment**
- ☐ **Marginal Benefits and Marginal Costs**
- ☐ **Special interest groups**
- ☐ **Social Benefits**

Term

Why is there income inequality in the US? or what are the causes of Income Inequality?

a situation where a third party, outside the transaction, suffers from a market transaction by others.

EX. Pollution is a negative externality. if you dump pollution into a reservoir and no one wants to swim or ski in it, it hurts the other businesses.

1. Ability-(based on how society values your abilities) in a free market, people are rewarded based on how society values their abilities. The more societies value your abilities, the more you will be rewarded.

2.Education and Training- positive statistical correlation between the amount of income you earn and amount of education you receive.

3. Discrimination -

4. preferences and risks-taking higher risks are rewarded higher ex. deadliest catch

5. Unequal Distribution of wealth and Market Power..10% of American population controls 50% of wealth and 20% of American population controls 80% of wealth

6. Luck, Connections and Misfortunes-people get sick, get cancer etc.

Connections - not about what you know but who you know.

additional costs incurred by a third party outside the production process when a unit of output is produced.

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EX. if you are a business owner that has a business in high crime and you pay a

street light to be installed and you know that the flood light worked so well it helped the neighbor business not get broke into. you ask the neighbor to help pay for it, but he doesn't want to. the neighbor is benefitting from what you paid for and this is a positive externality

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a theory held by economist that the greater economic equality will cause less economic efficiency

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Why? it provides both groups with less incentive. a higher income earner feels they are being punished for earning more if they know more earnings are going make them pay more taxes. The lower income families know if they earn more they will lose some of their benefits. This cause both groups to give less output.

- ☐ **Marginal Benefits and Marginal Costs**
- ☐ **PPF (Production Possibility Frontier)**
- ☐ **The Equality Efficiency Trade off**
- ☐ **Toddler Property Laws**

Definition

*No nation acting alone can solve certain environmental problems which spill over national borders.

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Biodiversity -The full spectrum of animal and plant genetic material.

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- ☐ **Negative externality**
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- ☐ **Quintile**

Term

command-and-control regulation

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1. People may stay healthier and live longer.

2. Certain industries that rely on clean air and water, such as farming, fishing

and tourism, may benefit;

3. property values may be higher;

4. people may simply enjoy a cleaner environment in a way that does not need to involve a market transaction

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*Gives a profit-maximizing firm an incentive to determine the least expensive technologies for reducing pollution.

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Definition

When the market, on its own, does not allocate resources efficiently in a way that balances social costs and benefits.

*If firms were required to pay the social costs of pollution, they would create less pollution but produce less of the product and charge a higher price.

- ☐ Externalities
- ☐ Special interest groups
- ☐ Market Failure
- ☐ Marketable Permit Program

Term

Poverty Traps

The legal rights of ownership on which others are not allowed to infringe without paying compensation.

*Property rights issues are highly relevant in cases involving endangered species on privately owned land.

The percentage of the population below the poverty line in any given year.
13.4% of the population in America is living below poverty line

Spillover effects

*The effect of a market exchange on a third party who is outside or "external" to the exchange is called externality or spillover

Antipoverty programs set up so that government benefits decline substantially as people earn more income - as a result, working provides little financial gain.

Definition**TRUE**

- ☐ **T or F High income countries have historically been the primary contributors to greenhouse warming by burning fossil fuels and still are today**
- ☐ **What is the average household income in America?**
- ☐ **T/or F The United States of America has the highest GDP (Gross Domestic Product) in the world.**
- ☐ **T/ or F Because the USA has the highest GDP, then the USA has the highest average household income in the world.**

Definition

groups that are small in number relative to the nation, but well organized and thus exert a disproportionate effect on political outcomes

*Can pressure legislators to enact public policies that do not benefit society as a whole

- ☐ private rates of return
- ☐ social rate of return
- ☐ Rational ignorance
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Term

Progressive Tax System

- committed participating countries to significant limits on CO2 emissions

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- additional costs incurred by a third party outside the production process when a unit of output is produced.

Definition

even when one person uses the public good another can also use it

- ☐ **nonexcludable**
- ☐ **Poverty line**
- ☐ **Biodiversity**
- ☐ **non-rival**

Definition

people will not vote if the costs of becoming informed and voting are too high, or they feel their vote will not be decisive in the election

- ☐ **income inequality**
- ☐ **social costs**
- ☐ **Externalities**
- ☐ **Rational ignorance**

Term

Negative externality

dividing a group into fifths, a method economists often use to look at distribution of income.

For example, dividing the households into:

the bottom quintile families making from 0-27k per year

the 2nd quintile families making between 27k & 54k

the 3rd quintile (middle quintile) between 54k-110k

the 4th

Biodiversityquintile between 115k-250k

the upper quintile making above 250k

*each quintile representing 20%

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Term

Logrolling

☐ the benefits to an individual or business when they produce or consumes a good or service, or a new product's benefits or process that a company invents that the company captures

☐ an action in which all members of a group of legislators agree to vote for a package of otherwise unrelated laws that they individually favor

*Can encourage pork-barrel spending

☐ Antipoverty programs set up so that government benefits decline substantially as people earn more income - as a result, working provides little financial gain.

Spillover effects

☐ *The effect of a market exchange on a third party who is outside or "external" to the exchange is called externality or spillover

Term

pork barrel spending

- ☐ externalities that cross national borders and that a single nation acting alone cannot resolve
- ☐ legislation that benefits mainly a single political district
- ☐ beneficial spillovers to a third party or parties
- ☐ when the estimated rates of return go primarily to society

Term**Biodiversity**

- ☐ **The full spectrum of animal and plant genetic material.**
- ☐ **when the estimated rates of return go primarily to society**
- ☐ **measured by the number of people who fall below a certain level of income, called the poverty line**
- ☐ **the specific amount of income one requires for a basic standard of living. The poverty line in US is below 24k for a family of 4**

Term

income inequality

- compare the share of the total income (or wealth) in society that different groups receive. The US has income inequality.
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- ☐ pork barrel spending
- ☐ Marketable Permit Program
- ☐ Poverty Rate
- ☐ International externalities

Definition

\$68,000

- ☐ T/ or F Because the USA has the highest GDP, then the USA has the highest average household income in the world.
- ☐ What is the average household income in America?
- ☐ T/or F The United States of America has the highest GDP (Gross Domestic Product) in the world.
- ☐ Marginal Benefits and Marginal Costs

Term

T/or F The United States of America has the highest GDP (Gross Domestic Product) in the world.

- ☐ **\$68,000**
- ☐ **True -and China is 2nd**
- ☐ **False**
- ☐ **TRUE**

Term

positive externalities or benefits

- ☐ **beneficial spillovers to a third party or parties**
- ☐ **the estimated rates of return go primarily to an individual; for example, earning interest on a savings account.**
- ☐ **legislation that benefits mainly a single political district**
- ☐ **The full spectrum of animal and plant genetic material.**

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Externalities

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Spillover effects

☐ *The effect of a market exchange on a third party who is outside or "external" to the exchange is called externality or spillover