Wilf Csaplar Jr.   Economics 162   Homework #3   **Due Friday 9/23**

Place your name on the back of this sheet of paper and nowhere else. Staple your answers face up on the front of this sheet of paper. Failure to follow these directions will cost you 10 points. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type it will cost you 10 points. If you use double-sided printing or print on the back of scrap paper, I will give you one additional point.

Due to the inauguration of President Tamara Rodenberg on Friday October 7th, the 10:10 class is canceled. Therefore, I am also canceling my 9:05 class. This requires reworking the syllabus. The revised syllabus can be found on my webpage, http://www.WCsaplarJr.info.

1) (25 points) Draw the supply and demand for a good like gasoline which creates pollution. Prove the market will not provide the socially optimal quantity and price. What do economists say is the best way to solve this problem? Illustrate that on the graph and explain how it achieves the socially optimal quantity and price.

2) (15 points each) For each of these, define what the phrase means, then explain why it is an economic reason for a government. Answer each question in separate paragraphs and give me economic reasons. (At least one has a non-economic reason, but I am not interested in that reason.)
A) Promote competition.
B) Income redistribution
C) Public goods

3) (15 points) Suppose a project would hurt 100 people $1 and help one person by $500 and the cost of the project is $250. Should the project be done? Explain your logic. Would the market, voting, both or neither give the desirable result? Explain your logic.

4) (15 points) Suppose a project would help 1000 people $1 and hurt one person by $500 and the cost of the project is $250. Should the project be done? Explain your logic. Would the market, voting, both or neither give the desirable result? Explain your logic.