
2. Give an example of double counting of benefits in cost benefit analysis.

3. The marginal cost of pulling an unemployed construction worker out of leisure and into construction work is less than the wage of an employed construction worker. Explain. If the marginal cost of hiring the unemployed construction worker is $10 and the wage of a typical construction worker is $20, how does cost benefit analysis account for the missing $10 per hour?

4. What is contingent valuation? What is it used for?


6. What is the discount rate? How can it influence cost benefit analysis?

7. Are more dollars spent on cash programs for the poor or on in-kind programs for the poor? What does this have to do with paternalism?

8. What is an example of an in-kind Transfer?

9. Using Budget constraints and Indifference curves, show that a cash transfer allows a person to obtain a higher indifference curve than a price subsidy. Full explain your analysis.

10. Consider the subsidized housing market. Using a graph, show that the housing subsidy results in an excess burden.

11. a. Who are the winners and losers of the subsidy? Identify them on you graph
    b. Be able to indicate the costs and benefits on the graph.

12. Consider the Market for Medical Office visits. In addition to the excess burden associated with subsidizing health care, there is also a welfare reducing effect to the society as a whole because of a higher price for health care. Using the market for medical office visits, show how the price for medical care increases as a result of offering free medical care to the poor. Fully describe your analysis in words.

13. Consider the market for food. It is commonly believed that the food stamp program is the equivalent (in utility terms) to a cash transfer. Why? Use an indifference curve and budget constraint analysis to supplement your answer.

14. Are food stamps in-kind transfers, or price subsidies?

15. Cash Transfers have a effect of reducing the hours worked per day. Use an indifference curve and budget constraint analysis to show the effect of cash transfers on work.

16. Is social security fully funded?

17. How is social security financed?

18. Given that social security is a pay-as-you-go system, what are ways (other than raising taxes) in which social security revenues can go up?

19. How does one qualify for social security?

20. Does the age require for receiving social security every change? What is the retirement age for you and me?

21. How are social security payments calculated?

22. It has been said that social security is redistributive, why? Given an example

23. What is the formula for the gross replacement rate?

24. For income above a certain ‘averaged indexed monthly earnings’ you will receive no additional social security money. Why is that?

25. Describe the current fiscal problem associated with social security.

26. What is the motivation for government intervention in the annuities market (note: social security is a type of annuity).
t. Despite the formation of the Social Security Trust Fund, why is social security still thought of as a pay as you go system?

u. Describe the general ways in which social security can be fixed

v. Give specific example of incremental reforms that can help to fix social security

w. Describe the fundamental reforms to social security? What are some of the problems associated with the fundamental reforms?

x. Outline how one would decide whether the social security trust fund is accounting fact or accounting fiction. What is the key component of whether the fund is accounting fact or fiction?

y. What is a Preferred Provider Option?

z. What is a High Deductible Health Plan?

aa. What is a Health Maintenance Organization?

bb. What is the main difference between a Health Savings Account and Flex Spending Account?

cc. What is a deductible?

dd. How do premiums compare between PPO plans and High Deductible Plans?

ee. What do you think will happen to wages if employers did not have to pay health insurance costs? How does your answer relate to debates over health care costs and international competitiveness?

ff. What is coinsurance?

gg. What is Balance Billing?

hh. What does UCR stand for?

ii. Why should we care about the increasing cost of health care? Use a production possibilities frontier to support your answer.

jj. What are three reasons why health care costs are on the rise?

kk. How do third party payments cause overconsumption of health care services? Use a graph to support your answer.

ll. What does the “Flat of the Curve” mean? Use a graph to support your answer.

VOCABULARY

1. Status Test
2. Means Test
3. Temporary Assistance to Needy Families
4. Supplemental Security Income
5. Earned Income Tax Credit
6. Medicaid
7. In-kind transfer
8. Indifference curve
9. Budget Constraint
10. Social Security
11. Fully Funded Pension System
12. Pay-as-you-go pension system
13. Gross-Replacement rate
14. Legacy Debt
15. Cost-Benefit analysis
16. Cost-effective analysis