

Chapter 3 Notes

- **Milton Friedman**
- Please read P 76.
- Answer these questions.
 - What were Milton's beliefs on government's role in the market?

 - Under which 2 presidents did Milton serve as economic advisor?

 - Do you agree with Milton's position on less regulation in medicine and law? Why or why not?

➤ **Government's role in the US economy**

1. Provide **public goods**.
 - a. What are they?

 - b. What are some examples?

 - c. Why does government have to provide them?
 - i. Nonexclusive and nonrivalrous in consumption (huh?)

 - ii. Prevent **free riders**:

2. Correct externalities.
 - a. What is a **positive externality**?

 - b. What are some examples?

 - c. What does the government do to correct the problem?
 - i. Provide **subsidies**

 - d. What is a **negative externality**?

 - e. What are some examples?

 - f. What does the government do to correct the problem?

3. Provide **safety nets**.
 - a. What are they?

 - b. How does the government do this?
 - i. **public transfer payments**

 - c. What are some examples?

End of Unit (Chapters 1,2,3)