

LIGHTHOUSE CPA SOCIAL SCIENCES DEPARTMENT

ECONOMICS

**VIDEO STUDY GUIDE # 2 - PUBLIC GOODS AND
RESPONSIBILITY**



TERMS THAT YOU MAY NEED INFORMATION ON :

1. **“TVA” - TENNESSEE VALLEY AUTHORITY > GOVERNMENT AGENCY CREATED TO BUILD AND MANAGE THE SYSTEM OF DAMS THAT HELPED SAVE THE SOUTHERN STATES, AND THE UNITED STATES GOVERNMENT, BILLIONS OF DOLLARS IN FLOOD DAMAGE**
2. **“NEW DEAL” - PRESIDENT ROOSEVELT’S COLLECTION OF FEDERAL GOVERNMENT SPENDING PROGRAMS DURING THE DEPRESSION THAT WERE INTENDED TO CREATE JOBS AS WELL AS DEMAND FOR GOODS AND SERVICES**
3. **THE “AMA” - THE AMERICAN MEDICAL ASSOCIATION > PROFESSIONAL ASSOCIATION FOR DOCTORS**
4. **“MEDICARE” - FEDERAL GOVERNMENT PROVIDED HEALTH INSURANCE FOR SENIOR CITIZENS ON SOCIAL SECURITY**
5. **“MEDICAID” - STATE PROVIDED HEALTH INSURANCE FOR THE NEEDY**
6. **PROPOSITION - PROPOSED LAW OR POLICY IS PUT ON A BALLOT AT ELECTION TIME SO THAT THE WILL OF THE PEOPLE CAN BE MEASURED DIRECTLY > FORM OF DIRECT DEMOCRACY**

**** STORY # 1 - DAMS AS PUBLIC GOODS**

HOW ARE PUBLIC GOODS PAID FOR ?

THERE WAS A CLEAR AND SIMPLE SOLUTION FOR THE FLOODING PROBLEM IN TENNESSEE AND THE MISSISSIPPI RIVER VALLEYS - BUILD DAMS. HOWEVER, WHY WERE THE DAMS NOT BUILT - WHAT POWERFUL PEOPLE, GROUPS, AND COMPANIES WERE AGAINST THE GOVERNMENT BUILDING DAMS ?

PRESIDENT ROOSEVELT WENT AGAINST THE POWERFUL OPPONENTS OF THE DAM SYSTEM AND CREATED THE “TVA” AS PART OF HIS “NEW DEAL” PROGRAM. BESIDES THE MONEY SAVED FROM CONTROLLING FLOOD

DAMAGE , WHAT ADDITIONAL THING ABOUT THE DAM SYSTEM WAS JUST AS IMPORTANT TO THE NATIONAL ECONOMY DURING THIS TIME OF DEPRESSION ?

**** STORY # 2 - NATIONAL HEALTH INSURANCE > DID WE NEED IT AND CAN WE AFFORD IT ? THIS IS AN ARGUMENT OVER A “SAFETY NET ”. IS THE UNITED STATES BECOMING A LITTLE TOO SOCIALIST ?**

AFTER WORLD WAR II, HOW MUCH OF THE POPULATION HAD HEALTH INSURANCE ?

IN 1946 A NATIONAL HEALTH INSURANCE PLAN WAS PROPOSED BY PRESIDENT TRUMAN. IT WAS DEFEATED AS A RESULT OF STRONG OPPOSITION BY DOCTORS AND THE POWERFUL “AMERICAN MEDICAL ASSOCIATION ”. THE DOCTORS SAID THE PLAN WAS NOT GOOD BASED ON 5 REASONS :

- 1.
- 2.
- 3.
- 4.
- 5.

IN 1959 SOMETHING WAS FINALLY DONE. WHAT WAS ESTABLISHED AND UNDER WHAT PRESIDENT AND SET OF SOCIAL PROGRAMS ?

DID THE CREATION OF MEDICARE AND MEDICAID GO FAR ENOUGH ? HOW MANY PEOPLE WERE STILL NOT COVERED BY A HEALTH PLAN ?

WHAT WAS THE MAIN ARGUMENT IN SUPPORT OF THE NATIONAL HEALTH INSURANCE PLAN ?

**** STORY # 3 - EVERYTHING CHANGED REGARDING AIRLINE SECURITY AFTER THE 911 EVENT . WHY WAS THE PROVIDING OF SECURITY TAKEN AWAY FROM THE PRIVATE MARKET / SECTOR ?**

SENATOR JOHN McCAIN CLAIMED THAT THE WORKERS SUPPLYING SECURITY WERE :

- 1.
- 2.

THE DEBATE WAS OVER WHETHER SECURITY WAS A _____ OR A _____ GOOD

WHAT WAS THE FEAR OF LETTING THE AIRLINES PROVIDE THE SECURITY THROUGH PRIVATE ENTERPRISE / CHANNELS ?

WHAT TWO THINGS HAVE WE GIVEN UP , OR TRADED OFF , AS A RESULT OF HAVING THE GOVERNMENT PROVIDE THE SECURITY FOR AIR TRAVEL ?

- 1.
- 2.

ANALYSIS BY NARIMAN BEHRAVESH :

ECONOMISTS CLASSIFY A GOOD AS A PUBLIC GOOD IF IT SATISFIES WHAT TWO CONDITIONS ?

- 1.
- 2.

WHAT IS THE CLASSIC EXAMPLE OF A PUBLIC GOOD ?

WHAT DO WE CALL THE PROBLEM THAT ARISES FROM PUBLIC GOODS SINCE IT IS DIFFICULT TO DETERMINE HOW MUCH A PUBLIC GOOD IS WORTH TO EACH INDIVIDUAL BECAUSE THEY DO NOT HAVE TO DECLARE HOW MUCH IT IS WORTH TO THEM ?

FREE MARKETS ALMOST ALWAYS WILL UNDER _____ PUBLIC GOODS , SO THE SOLUTION TO CORRECT THIS TYPE OF _____ IS FOR THE GOVERNMENT TO PROVIDE THE GOOD

AND _____ THE PUBLIC TO PAY FOR IT

**** SUMMARY**

HOST DAVID SCHUMACHER SAYS THAT THE GOVERNMENT HAS GONE BEYOND THE WELL DEFINED REASONS FOR GOVERNMENT INVOLVEMENT IN THE ECONOMY AND TAKEN ON BROADER SOCIAL RESPONSIBILITIES.

HOW FAR WE WILL ALLOW THE GOVERNMENT INVOLVEMENT TO GO WILL DEPEND ON :

- 1. THE PUBLIC'S PERCEPTION OF _____**
- 2. THE EFFECTIVENESS OF THE GOVERNMENT'S ABILITY TO
_____**
- 3. OUR WILLINGNESS TO _____ FOR THE INVOLVEMENT**