

Do not write your name on the assignment. Write your name only on the back of this sheet of paper and staple your answers on the front of this sheet of paper. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to follow these directions will cost you 1 point on the assignment and failure to type it will cost you 10 points.

1) (20 points each) For each of the following, explain why it is important for a market economy.

A) Well defined property rights which are enforceable and transferable.

B) Few restrictions on trade.

C) Prices must be flexible.

2) (20 points) Why is it sometimes best to not go directly to a market economy if the current economy is not already a market economy?

3) (20 points) What is meant by *The Tragedy of the Commons*? Explain the economic reasoning for it.