

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.

1) (20 points) There are three types of property rights, private, collective, and public. What is one advantage of private property rights and one disadvantage of private property rights? Explain why it has that advantage and that disadvantage.

2) (25 points) The range of incentive structure goes from moral to material. Explain the differences between them. Which do you think works more often? Explain your logic.

3) (15 points) Explain what *moral hazard* is and how it can cause sub-optimal situations. Make sure you give an example.

4) (10 points each) Answer each part in separate paragraphs. For each of the following, explain what it means and why we would want our economy to have that quality.

- A) Static efficiency
- B) Dynamic efficiency
- C) Economic growth