Homework IV

due Wednesday, February 14th in class

Type out the answers, use single-spacing, and a size 12 font.

1. **Short Descriptions** (3 points) In two to three coherent sentences, explain and/or define each of the following concepts.

   (a) Piguovian tax
   (b) Stakeholders
   (c) Reaganomics

2. **Human Capital** (3 points) It is documented that human capital and inherited wealth are highly correlated. How might this influence a redistributive government’s policy action(s)?

3. **Corporate Governance** (4 points) In 1970 Milton Friedman wrote an article for *The New York Times Magazine* whose title appropriately summed up its main point: “The Social Responsibility of Business Is to Increase Its Profits.” Should maximizing shareholder value (profits) be the sole responsibility of corporations? If necessary, support your view with a(n) example(s).

4. **Economic Mobility** (3 points) Summarize three facts from the article ”International Comparisons of Economic Mobility“ by Julia B. Isaacs (article provided on the class website).

5. **Fair Tax** (3 points) What do you consider to be a fair tax? What are the two main opposing views on this issue? Support your answer with specific arguments or examples. *(Hint: you may want to watch again the video about fair taxes on the class website.)*

6. **State Intervention** (4 points) What are the basic theoretical and practical reasons for state intervention in the economy? What functions might the state fulfill to improve a country’s economic performance? Why might the state find it difficult to intervene efficiently in the economy?