

SOLUTIONS MANUAL



MACROECONOMICS

PRIVATE AND PUBLIC CHOICE



Gwartney
Stroup
Sobel
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Part 1

Introduction

This section has four parts. First, a summary of the supplements and packages available for instructors is included. Second, a discussion of the main features of PowerPoint and how to use it in the classroom is provided. Third, an explanation of the main features of the testing package, *ExamView*, is included. Fourth, some suggestions on how to use movies in the classroom are included.

SUPPLEMENTS

A full set of supplements accompanies the text. They include the following:

Aplia

Aplia has joined forces with South-Western, the leading publisher for principles of economics and finance, to create the Aplia Integrated Textbook Solution. More students are currently using an Aplia product for principles of economics than are using all other web-based learning programs combined. Because the homework in Aplia is automatically graded, you can assign homework more frequently to ensure your students are putting forth a full effort and getting the most out of your class.

ABC News Videos

This supplement consists of high-interest clips from current news events as well as historic raw footage going back 40 years. Perfect for discussion starters or to enrich your lectures and spark interest in the material in the text, these brief videos provide students with a new lens through which to view the past and present, one that will greatly enhance their knowledge and understanding of significant events and open up to them new dimensions in learning. Clips are drawn from such programs as World News Tonight, Good Morning America, This Week, PrimeTime Live, 20/20, and Nightline, as well as numerous ABC News specials and material from the Associated Press Television News and British Movietone News collections. Your South-Western Publishing representative will be happy to provide a complete listing of the videos and policies addressed.

Stossel in the Classroom Videos

Most instructors are looking for ways to get their students engaged and excited while developing their critical thinking skills. Thousands of teachers across the country have experienced the benefits of using John Stossel's engaging videos from ABC 20/20. A team of instructors, including authors of this text, worked with ABC and Stossel to put together thirty-one, short video clips designed especially for use in college level economics. The DVDs also contain an Instructor's Manual with discussion questions, testing material, related activities, and other ideas about how to use the clips most effectively. Teaching Tools for Microeconomics from John Stossel – College Edition, and Teaching Tools for Macroeconomics from John Stossel – College Edition are products of ABC News. For information about availability and pricing, please contact ABC News directly (not Cengage Learning) by going to: abcnewsstore.go.com. More information is available about the videos later in this section. You may also contact author James Gwartney (jdgwartney@fsu.edu) for additional details.

Tomlinson Learning Path Videos

The Tomlinson videos are an online multimedia video lecture series that provide students with instructional assistance 24/7. Students can watch these segments over and over as they prepare for class, review topics and study for exams. Lecture notes and quizzes for each segment are also

available. Professors may require students to view the videos before class to leave the class time free for activities or further explanation.

JoinIn Turning Point® CD

JoinIn is a response system that allows you to transform your classroom and assess your students' progress with instant in-class quizzes and polls. Our exclusive agreement to offer TurningPoint® software lets you pose book-specific questions and display students' answers seamlessly within the Microsoft® PowerPoint® slides of your own lecture, in conjunction with the “clicker” hardware of your choice. Enhance how your students interact with you, your lecture, and each other. For college and university adopters only. Contact your local South-Western representative to learn more.

Contemporary Issues in Economics

We are proud to introduce Thomson's collection, Contemporary Issues in Economics as a solution. This collection includes readings on major issues pertaining to education, health care, Social Security, unemployment, inflation, and international trade. Our collection examines issues that interest students, while building on core economic principles. By diving deeply into timely interesting issues, students begin to see fundamental economic concepts as important in understanding issues that affect them personally, as well as in understanding today's headlines. To view the readings and obtain more information about how to enhance your course with this material, visit http://www.textchoice.com/econ_issues.

WebTutor™ for WebCT, Blackboard, and eCollege

WebTutor will allow you to jumpstart your course whether you want to simply Webenable your class or put an entire course online. Using a WebTutor cartridge, it's easy to add, edit, reorganize, or delete content customized for Economics: Private and Public Choice. The content includes media assets, quizzing, Web links, discussion topics, interactive games and exercises, and more. To find out more about WebTutor, contact your local South-Western representative. (Other platform choices are available upon request.)

Test Banks

The Test Banks for the twelfth edition were prepared by the author team with the assistance of Joe Calhoun. The authors have worked hard to update and improve the test banks for this edition. The two Test Banks contain approximately 7,000 questions—multiple-choice and short answer. Within each chapter, the questions correspond to the major subheadings of the text. The first ten questions of each chapter are suitable for use as a comprehensive quiz covering the material of the chapter. The multiple choice questions from the Coursebook are also included in a special section of the Test Bank. Instructors who would like to motivate their students to study the Coursebook can easily use these questions and incorporate them into their quizzes and exams.

Computerized Test Banks

The computerized Test Banks for this edition have been enhanced significantly. *ExamView*®—Computerized Testing Software contains all of the questions in the printed Test Bank. *ExamView* is an easy-to-use test creation software compatible with both Microsoft Windows and Macintosh. Instructors can add or edit questions, instructions, and answers and select questions by previewing them on the screen, selecting them randomly, or selecting them by number. Instructors can also create and administer quizzes online, whether over the Internet, a local-area network (LAN), or a wide-area network (WAN). Instructions on how to use *ExamView* is provided later in this section.

PowerPoint

Prepared by Joe Connors, we believe our PowerPoint presentation is the best you will find in the principles market. The presentation includes chapter-by-chapter lecture notes with fully animated, hyperlinked slides of the textbook's exhibits. Its dynamic graphs and accompanying captions make it easy for instructors to present (and students to follow) sequential changes. The graphs are also used to highlight various relationships among economic variables. In order to facilitate classroom discussion and interaction, questions are strategically interspersed throughout the chapters to help students develop the economic way of thinking. Instructions explaining how professors can easily add, delete, and modify slides in order to tailor-make the presentation to their liking are included. If instructors want to make the PowerPoint presentation available to students, they can place it on their web site (or the site for their course). These slides are available for download at the support Web site: www.cengage.com/economics/gwartney. Instructions and information on how to use and modify the PowerPoint material is contained later in this section.

Support Web site for Instructors

This password protected Web site includes some of the same essential resources that can be found on the *Instructor's Resource CD*, including instructor's manuals and test banks in Microsoft Word, and the PowerPoint lecture and exhibit slides. To get access to the site to download these supplements, register online at <http://academic.cengage.com/economics/gwartney>.

POWERPOINT

A set of presentations has been developed to accompany the text. The presentations were prepared with Microsoft PowerPoint. For more information on PowerPoint, see an excellent web site created by Susan Brooks and Bill Byles called Internet4Classrooms: http://www.internet4classrooms.com/on-line_powerpoint.htm. Susan Brooks (sbrooks@internet4classrooms.com) and Bill Byles (bylesb@internet4classrooms.com) are willing to answer questions from users of their site about PowerPoint.

Using the Internet4Classrooms web site, the next sections describe how to use some of the main features of PowerPoint within the Windows environment for Office XP. The site also provides information about using PowerPoint in the Office 2007 and Office 97 environments as well.

To create a new slide and choose a template:

http://www.internet4classrooms.com/template_ppxp.htm

Adding text to a slide, moving the text, and changing text style or color:

http://www.internet4classrooms.com/text_ppxp.htm

Inserting an image into a slide:

http://www.internet4classrooms.com/image_ppxp.htm

Using different slide views:

http://www.internet4classrooms.com/views_ppxp.htm

Animating text:

http://www.internet4classrooms.com/building_ppxp.htm

Creating transitions between slides:

http://www.internet4classrooms.com/transitions_ppxp.htm

Keyboard shortcuts to use with your slideshow:

http://www.internet4classrooms.com/shortcuts_ppxp.htm

Slideshow options:

http://www.internet4classrooms.com/showing_ppxp.htm

Frequently Asked Questions

Can I customize my presentation?

Yes. The slides can be customized in a variety of ways. For example, clip art can be added; slides added or deleted; hyperlinks inserted; and sounds added. For details on how to do some of these changes, see the discussion on the previous pages.

At what point in my lecture do I show the presentation?

At anytime during the lecture. One may use the presentation for the entire lecture or only part of the lecture depending on your preferences.

How long does each presentation take to show?

It will vary depending on how many additional examples one introduces; how many questions arise from students in the class; and etc.

Are there any potential problems with using the presentations?

One has to be careful not to make the course too “canned” when using the PowerPoint presentations. In order to keep this from happening, the presentations have integrated some thought-provoking questions designed to get student to think about the material that is being covered. Two or three questions of this variety—most out of the text—are inserted about half way through each chapter and at the end of each chapter. This will make the PowerPoint presentations more useful.

EXAMVIEW

ExamView is a test generator program that enables you to quickly create printed tests, Internet tests, and computer-based tests. You can enter your own questions and customize the appearance of the tests you create. The *ExamView* test generator program offers many unique features. Using the QuickTest wizard, for example, you are guided step-by-step through the process of building a test. Numerous options are included that allow you to customize the content and appearance of the tests you create

Question Selection

There are several methods to select test questions. One may select questions by question number, randomly, while viewing questions, or all questions. Users have the capability to edit questions or to add an unlimited number of questions.

Online (Internet-based) testing

ExamView Pro enables instructors to create a test that students can take on the Internet using a browser. The tests may include any of twelve question types. Users can create online study guides with student feedback for incorrect responses. One can receive instant feedback regarding student results via email.

Online (computer-based) testing

One can create a test and administer it over a network. The program allows either anyone or selected students to take a test. The tests may include multimedia in the form of movies or audio. Instructors can create online study guides with student feedback for incorrect responses. The program permits users to export student results to a grade book or spreadsheet.

Sophisticated word processor

ExamView Pro includes a powerful word processor that includes a spell checker, tabs, fonts, text styles, and support for symbols and foreign characters. One can make tables with borders and shading. It also includes full-featured equation editor. Users may include pictures or other graphics within a question, answer, or narrative.

Test layout and printing options

Many options exist with regards to test layout and printing of the exam. Users may scramble the choices in multiple-choice questions. Instructors can organize matching questions in a one- or two-column format. One can print multiple versions of the same test with corresponding answer keys as well as print an answer key strip for easier test grading.

Technical Support

There are three forms of technical support available to the user.

Technical Support Hotline (voice): 800-543-0453

Fax: 800-880-9496

E-mail: hotline_education@swpco.com

Hardware Requirements

Windows

- 120 MHz Pentium II or compatible processor
- Windows 98/ME/2000/XP/Vista (or a more recent version)
- 32 MB of available RAM (64 MB recommended)
- 32 MB of available hard disk space
- Color monitor capable of displaying 16-bit color with 800 x 600 resolution
- Internet connection to access the content updater, Web publishing, and test-hosting features

MOVIES IN THE CLASSROOM

An exciting and effective way to increase student interest in principles of economics classes is to show short movie clips (three to seven minutes) that highlight economic concepts. It also has the advantage that shows students the real-world applicability of the economic analysis. The author's experience with this technique in their classes has been very positive. Furthermore, showing movie clips in class has become increasingly feasible as more and more classrooms have been updated to include DVD players as well as projectors.

The text has interspersed some examples of how movie clips can be used to illustrate economic concepts with the boxes titled "Economics in the Movies." For example, a box in chapter 2 discusses how the movie *Wall Street* the concept of gains from trade. The relevant scene is when in response to a question Charlie Sheen poses to Michael Douglas about how much money is "enough," he replies: "It's not a question of enough, pal. It's a zero-sum game. Somebody wins; somebody loses. Money itself isn't lost or gained; it's simply transferred from one person to another." After showing the scene one could point out that Michael Douglas is wrong. In the real world voluntary trade is a positive-sum game, meaning that wealth is created, and both parties gain. It is not a zero-sum game, where gains to one person result in losses to another.

As another example, a box in chapter 13 explains how the movie *It's a Wonderful Life* provides a nice lesson in fractional reserve banking. In the scene, when everyone shows up at James Stewart's bank and wants to withdraw their money, he explains that their money is not in the vault, but instead investment in their neighbors' homes. Thus, he cannot give everyone their money because the bank uses the deposits to make loans to other people.

The following is a list of the other movies discussed in the text: Chapter 1: *Ferris Beuller's Day Off*; Chapter 3: *Pretty Woman*; Chapter 5: *Along Came Polly*; Chapter 18 (16 Micro): *Cast Away*; Chapter 23 (10 Micro): *One Man Band*; Chapter 24 (11 Micro): *A Beautiful Mind*.

Two approaches can be done to show movies in the classroom. First, one can purchase or rent a DVD of the movie. To prevent fumbling around during the class period, it is important to queue up the appropriate scene on the DVD before the class has started. It is important to note showing a movie clip in class does not violate copyright laws due to the educational exemption.

Second, one can use G. Dirk Mateer's workbook published by South-Western titled *Economics in the Movies* (ISBN: 0-324-30261-4). If you are interested in learning more about this product please go to: economicsinthemovies.swlearning.com. This workbook contains a collection of 20 film scenes from movies such as *Traffic* and *Along Came Polly*. Instructors can show these clips in class by streaming the videos if they have Internet access in the classroom. The workbook is organized by economic concept which helps professors plan which films to use. It also provides a list of questions and issues one could discuss after showing each scene. Alternatively, the workbook can be assigned as homework for students as long as students have Internet access.

STOSSEL VIDEO CLIPS FOR THE TEACHING OF ECONOMICS

Most instructors are looking for ways to get their students engaged and excited while developing their critical thinking skills.

Two DVDs containing 31 short (3 to 7 minute) video clips are available from ABC News:

1. “Teaching Tools for Microeconomics from John Stossel” and
2. “Teaching Tools for Macroeconomics, Government and International Trade from John Stossel”

A third DVD containing four additional clips is available free of charge from www.stosselintheclassroom.org.

These short (3 to 7 minute) video clips will enrich your class and help bring economics alive in your classroom. Topics covered by the videos include: opportunity cost, gains from trade, competition, the invisible hand, price controls, subsidies, property rights, entrepreneurship, real versus nominal gasoline prices, unemployment, poverty, outsourcing, taxes, government spending, and economic freedom. Initially prepared for ABC television (20/20 and various Stossel specials), they have been chosen and, in some cases, modified for classroom use. **They are the best of John Stossel designed just for your economics class.** The DVDs come with an Instructor’s Manual prepared by James Gwartney, John Morton, Joe Calhoun, Mark Schug, and Tawni Ferrarini. This manual provides users with discussion questions, related activities and exercises, and testing materials for each of the clips to help you use the videos more effectively. For information about availability and pricing, please contact ABC News directly at: [ABC NewsStore](http://ABCNewsStore). You may also contact James Gwartney (email: jdgwartney@fsu.edu) for additional details.

These clips are complementary with *Economics: Private and Public Choice*. The following contains a brief description of the clips and the chapter of *Economics: Private and Public Choice* containing closely related material is indicated below in parentheses next to the title of each clip.

DVD 1, Microeconomics: Concepts, Wealth Creation, and Earnings

Clip 1: Opportunity costs, tradeoffs, and secondary effects (Chapters 1 or 2 of *Economics: Private and Public Choice*)

Description: The segment illustrates marginal thinking by weighing the marginal benefits of an action against the marginal costs. Ralph Nader proposes spending \$1,800 on each school bus to increase the safety of children and suggests the money would be well spent. John Graham of the Harvard Center for Risk Analysis calls this “statistical murder” to spend \$1,800 on seat belts to save a few lives instead of spending it on other forms of child safety that would save more lives.

Clip 2: Economics of private property rights (Chapter 2)

Description: This segment addresses private and public (common) property rights and how they change the incentives of individuals to take care of things. The segment uses two examples to illustrate modern versions of the “tragedy of the commons”. First, an experiment from a high school economics class about fishing illustrates how common property rights will lead to over-utilization of resources. Second, ownership of elephant hunting rights in Africa reinforces the concept: countries where there is private ownership have tripled their elephant population while countries where there is common ownership have seen dramatic decreases in the elephant population.

Clip 3: Exchange and wealth creation (Chapter 2)

Description: The segment begins with a description of the Vanderbilt mansion, the yacht and lavish parties with Imelda Marcos, the wife of the former dictator of the Philippines, and the shopping sprees of the Duvaliers, Haiti’s former dictator (Baby Doc) and his wife. All three seem to be examples of greed. However, there is a difference with Vanderbilt: he couldn’t use force to create his wealth. The segment highlights the importance of gains from trade.

Clip 4: Invisible hand; how steak gets to New Yorkers (Chapter 3)

Description: The segment illustrates market coordination and Adam Smith’s “invisible hand” by tracing the people and steps involved to get beef from Iowa to New York City.

Clip 5: Rent controls (Chapter 4)

Description: Rent control is intended to assist low-income families in obtaining adequate housing and is currently used by about 200 American cities. Using New York City as an example, the rent control program is found to help mostly high-income families by keeping their rent below market prices. The secondary effects are to decrease new housing in the market, increase prices for property not under rent control, and create an incentive for landlords to either let their buildings deteriorate or abandon their investment.

Clip 6: Pharmaceuticals price controls and availability (Chapter 4)

Description: The clip illustrates the general impact of price controls. Protestors against U.S. pharmaceutical companies claim prices are too high and do not reflect the costs to bring the drug to market. The segment reveals that most drugs never make it to market but the companies incur large research and development costs which, if such research is going to continue, must be covered by revenues from the drugs that do make it to market.

Clip 7: Subsidized flood insurance (Chapter 4)

Description: The segment outlines John’s personal experience with oceanfront property and government subsidized flood insurance. While the subsidy makes the insurance cheaper it also generates a secondary effect: more waterfront property is developed than would otherwise be the case. As the clip documents, construction has increased dramatically which is exactly what economic theory would predict.

Clip 8: Politics, economics, and farm subsidies (Chapter 4 or 6)

Description: The main theme of the segment is farm subsidies. A cotton farm in California is used as a case study to consider both the economic and political factors underlying farm subsidy programs.

Clip 9: Wal-Mart, competition, and cost control (Chapter 22 or 23)

Description: Wal-Mart is both loved and vilified. Critics suggest that the company wrecks communities, discriminates against women, and underpays its workers. An interview with Paul Blank, hired by the Food and Commercial Workers Union to campaign against Wal-Mart, offers the critical view. Brink Lindsey of the Cato Institute offers the proponents view. The segment documents earlier examples like Sears and A&P that were once in similar situations to Wal-Mart.

Clip 10: Poverty and entrepreneurship (Chapter 28)

Description: By using Steve Mariotti, a teacher in one of New York City's worst high schools, as an example the clip addresses the entrepreneurship process.

Clip 11: Wage Discrimination (Chapter 26 or Special Topic 11)

Description: On the surface, the earnings difference between men and women appears to be wage discrimination. Women currently earn 78.5% of men's wages. Martha Burk, chairman of the National Council of Women's Organization and author of *Cult of Power*, suggests women earn less than men performing the same work with the same job title and experience. However, Warren Farrell, a former board member of the National Organization for Women, disagrees. After reviewing the data that reveal the job characteristics, and exploring the desires of men and women the earning difference is largely explained.

Clip 12: Child labor laws (Chapter 26)

Description: The major point of the segment is to identify the government's role in regulating labor markets with an emphasis on children. The segment features an example of an underage batboy working past 7 p.m.

Clip 13: Investment versus giving (Chapter 27)

Description: After Ted Turner announced his gift of one billion dollars to U.N. charities, the media applauded his actions. T.J. Rodgers, founder of Cypress Semiconductor, and philosopher David Kelley believe Turner's money would be better used in other capacities. Both make the point that perhaps a better and more effective way to help people is to create jobs and expand business opportunities.

Clip 14: Is making money good or bad? (Chapter 3 or 23)

Description: Through an interview with T.J. Rodgers, founder of Cypress Semiconductor, the role of the profit motive is brought to life. By "making money" Rodgers generates substantial wealth for himself, which is illustrated by his luxurious home with a \$100,000 pizza oven. But the benefits are more widespread than Rodgers' possessions. Jobs are created which allow his employees to buy their homes, pay for school, and save for retirement. Further, his customers benefit by obtaining new products.

Clip 15: Poverty in the US (Chapter 28)

Description: The segment brings to light some of the items included and not included in the official wage data. The Federal Reserve data that's often cited doesn't include such items as sales commissions, retirement contributions, and medical insurance. When these items are included, compensation has increased 20% instead of staying flat or going down as some suggest.

Clip 16: School Choice (Special Topic 10)

Description: The segment illustrates the difference between what politicians vote for in the legislature and what they do in their private lives.

DVD 2, Macroeconomics: Concepts, International Trade, and the Role of Government**Clip 1:** Is life getting worse? (Chapter 1 or 7)

Description: The segment dispels the notion that life is worse or more difficult and risky today than in the past. During an interview, several 100-year-olds emphatically agree that life is better and easier. The segment documents that most risks are greatly reduced from levels just a few years ago. Pollution levels and crime rates are down. Diseases such as diphtheria and rheumatic fever have virtually been eliminated while the flu, which killed 20 million people around 1918, has been contained. The average American now lives 30 years longer than the average American 100 years ago.

Clip 2: Gas prices-nominal versus real (Chapter 7)

Description: Without being too technical or mathematical, the segment clearly illustrates the error of comparing nominal (current) prices across time periods.

Clip 3: Unemployment and labor mobility (Chapter 8 or 26)

Description: Using the labor market in Youngstown, Ohio as an example, the segment addresses resource mobility. Youngstown used to be home to many large steel mills and steel-related industries. After several steel mills closed, many workers were laid off and unemployment grew to 25%. However, as new companies emerged most of those workers found better, safer, and higher-paying jobs.

Clip 4: Government spending, jobs, and unemployment (Chapter 11 or 12)

Description: John breaks several windows in an apartment to illustrate how jobs would be created by the destruction. Cleaning crews, window repairmen, glass manufacturers, and many others would see an increase in demand for their services. It appears as if the economy would be better off with the destruction by keeping these people employed and earning income. John then illustrates the fallacy of the multiplier if the money to pay for the windows is taken from other places in the economy. The net effect would be a zero gain for the economy.

Clip 5: Stadiums, subsidies, and taxes (Chapter 4 or 6, or Special Topic 1)

Description: The segment uses the new baseball stadium for the Chicago White Sox as an example. Jerry Reinsdorf, the majority owner of the White Sox, and former Illinois Governor Jim Thompson are interviewed to describe the rationale and the process involved to fund the new stadium.

Clip 6: How much taxes do the rich pay? (Chapter 4 or Special Topic 1)

Description: The segment documents the proportion of income taxes paid by the wealthiest Americans. At the beginning of the clip, the Reverend Al Sharpton, former Democratic presidential candidate, claims the top 1% of income earners pay less than 5% of total income taxes. He suggests they should pay 15%. The fact is that the top 1% of income earners already pay 34% of the total income tax collected by the IRS. The clip can be used to illustrate the taxes paid by various groups and the difference between average and marginal tax rates.

Clip 7: Are boycotts of sweatshop products helpful? (Chapter 16 or 18)

Description: The role of profits in business activity to import goods from cheaper, foreign countries is a general theme. The segment includes scenes from various student protests regarding imported goods made by “sweatshops.” The protestors claim foreign workers are being exploited. During interviews with representatives from foreign countries, quite the opposite story is depicted. Those countries and workers desire those jobs and would like to have more.

Clip 8: Does Outsourcing Cost Americans Jobs? (Chapter 18)

Description: Lou Dobbs of CNN argues that outsourcing is bad and should be limited. However, as some jobs are sent to foreign countries, labor resources are freed up to move to more productive areas. While the short-term consequences can be difficult, the long-term benefits often include better and higher-paying jobs for the displaced workers

Clip 9: Economic freedom and prosperity (Chapter 17)

Description: A single point is made in this segment. Where economic freedom and liberty are allowed to flourish, economic growth and prosperity follow. The clip compares and contrasts places where government planning dominates (India, North Korea, Syria, and Haiti) against places where there is relatively little government planning (U.S., Hong Kong, Switzerland, and New Zealand).

Clip 10: Institutions, growth, and freedom (Chapter 17)

Description: The segment compares and contrasts the ease with which businesses operate in India, the United States, and Hong Kong. Several entrepreneurs are interviewed to describe their experiences in the different countries.

Clip 11: Property rights, eminent domain, and the role of government (Chapter 2 or 16)

Description: Eminent domain is the ability of the government to take private land for public use. Property rights and their enforcement are the major themes. Using a neighborhood in New Rochelle, New York as an example, the segment documents the local government forcing people out of their homes because it feels the land is better used in another capacity.

Clip 12: Is government too big? (Chapter 6 or Special Topic 1)

Description: The overriding theme is that taxes are high and placed on numerous goods in order to fund all of the projects in which government is currently involved. The view of the founding fathers on the role of government is compared with the actions of government today through an interview with Tibor Machan from Chapman University.

Clip 13: Size and growth of government (Chapter 6 or Special Topic 1)

Description: The segment discusses and uses an enlightening graphical image to document the size and growth of the U.S. government since 1800. Despite politician's claims to reduce spending, government spending has increased dramatically during the past century.

Clip 14: Pork barrel spending (Chapter 6)

Description: Voting behavior and collective decision-making are the two major concepts addressed. By using the example of a proposed \$200 million bridge in Ketchikan, Alaska, the segment illustrates the behavior of special interests in receiving government funding for projects that benefit a small number of people.

Clip 15: Competition and efficiency of government (Chapter 6 or Special Topic 1)

Description: Private versus public production is the theme of the segment. The incentives of cost minimization and efficiency are discussed under the two alternative forms of ownership.

DVD, Stossel in the Classroom, 2007 edition

(Note: There are 4 clips on this DVD. It is available free of charge to teachers at <http://stosselinclassroom.org>.)

Clip 1: Stereotypes (Chapter 28)

Description: How much do expectations of success or failure influence how students actually perform? John Stossel examines whether a bold experiment from decades ago still holds true today.

Clip 2: Foreign aid (Chapter 16)

Description: Some say that more foreign aid is the answer to poverty in Africa. But after billions of dollars in aid, individual Africans are worse off than before. John Stossel asks the experts, "Is there a better way to help the poor?"

Clip 3: Price gouging (Chapter 4)

Description: After natural disasters, some businesses raise prices on essential goods and services. Is that evil? Exactly the opposite, say three Nobel Prize-winning economists. John Stossel uncovers why in this lesson about supply and demand.

Clip 4: Oil supplies: Are we running out of oil? (Special Topic 13)

Description: It's a common belief that America is running out of oil. John Stossel digs for the truth behind this popular view.

