

## **Homework #5** (due Tuesday)

**Note:** Given the extensive in-class coverage of this material on Tuesday, this will be graded relatively lightly but will not be accepted late.

- 1a.) Using education vs. "all other goods", draw the following budget constraints: 1.) no public/govt. provision of education (i.e., all private; standard budget constraint); 2.) public provision of an (arbitrary) amount of education,  $E_0$ , for free (with private education,  $E > E_0$ , still available as an alternative). (Hint: see p. 73-74's commencement ticket example.)
  - b.) Now, in three separate graphs, using the above budget constraint and a pair of indifference curves in each case, illustrate how the provision of free public education (vs. no public provision) might 1.) increase; 2.) decrease; or 3.) have no effect on the level of a parent's provision of education for their child. (For a bonus, find a second example where public provision would have no effect on the level of education.) In each case, think and perhaps write about the sorts of people these curves represent.
  - c.) Explain the second case—when the provision of free public education would decrease the level of education that a parent chooses for their child.
- 2.) Using budget constraints and indifference curves, illustrate and explain the differences between the outcomes under NO public provision of schooling and educational vouchers. (Hint: see p. 71-74's food stamp example.)
  - 3.) Use budget constraints and indifference curves to illustrate and explain why any given level of free education (or more difficult-- any given level of a voucher) have a different impact on poor vs. rich people. (Hint: draw *very* poor and *very* rich.)