

This is the second of two home assignments you are asked to solve during this semester. You have until May 2, 2018, 23:59 to submit your solutions to this home assignment. Submit your solutions (in .pdf, typed digitally or written *legibly* and scanned) in the appropriate field of the section 'Study group roster' in the SIS. You can obtain up to 10 points for this assignment (2 points for each answer). The home assignments are individual work. Base your answers on what we have covered in class and the course textbook. In case you have any questions, contact Miroslav Palansky at miroslav.palansky@fsv.cuni.cz.

Problem 1

Briefly answer the following questions:

- a) Which selection criterion is most commonly used in Czechia to select public procurement suppliers? Take a specific example of a good or service that the Czech government regularly buys and explain what might be a disadvantage of this selection criterion when buying this particular service or good.
- b) What do we call taxes and subsidies that are intended to internalize the externalities of the taxed and subsidized activities? How do they work?
- c) Using a diagram, explain why deadweight loss arises in the health care market when there is insurance that covers a substantial part of direct health care costs (80%, for example).
- d) Explain the current pension system in your country of origin.
- e) What is employment protection legislation (EPL)? What are the benefits and drawbacks of having extensive EPL (i.e. very protective of employees)?