Suppose Congress put forth an idea to make the public university system in the United States free. In this proposal there would be no student loans and no tuition payments.

**Part A**

Economically speaking, explain why Congress would promote this proposal and what the benefits to individuals might be.

**Part B**

Explain what one benefit might be to businesses.

**Part C**
Identify which production possibilities curve (PPC) correctly illustrates what might happen in the economy as a result of the answer from Part B and explain why the PPC shifts inward or outward.

**Part D**

Explain the potential unintended outcomes of this proposal (how the proposal might have an opposite impact of what is intended).

### Exemplar

**Part A**

Congress’ proposal could be seen as an investment in human capital, which can have positive impacts on the growth of the economy. In terms of individuals, the chart shows that the more education a person has, the higher their average income. This increases an individual’s standard of living.

*AND*

**Part B**

With more specialized education and investment in human capital, businesses can become more efficient. This could lead to an increase in productivity and an increase in business profits.

*AND*

**Part C**

PPC A is the correct graph for Congress’ proposal based on the benefit to businesses. With greater human capital, the U.S. economy can become more efficient and produce more consumer and capital goods.
Part D

One of the possible unintended impacts is the opposite of what is intended. The money to pay for Congress’ program would have to come from tax dollars. In order to accomplish this, the government would have to raise taxes, which would decrease households’ disposable income. When a household’s disposable income decreases, it will spend less, so businesses could possibly lose profit. This could lead to an increase in unemployment and a decrease in national income. This would mean that the standard of living might actually decrease.

Other impacts could be the loss of income by college professors, as salaries for college professors decrease because of lack of funding from federal government. A lack of funding for the research arm of colleges and universities could cause a decrease in the advancement of technology, slowing down the economy.

Note: Accept any other reasonable answer.

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