

Chapter 17

Of the key terms and concepts listed on p. 349, you should be able to:

- Define and discuss
 - **excise tax:** A fixed amount of money levied per unit sold. For example: gasoline is taxed per gallon and remains fixed.
 - **sales tax:** Levied by states only on final goods according to the value of the item (8.5%)
 - **use tax:** Shifts the physical payment burden to in-state consumer who buys a product from an out state seller for use in the state of residence. A buyer is not required to pay sales from out of state purchases, but must pay the use tax in the home state.
 - **value added tax:** A tax placed on the value of the item at different stages of the production process. It can serve as a substitute for and have the same revenue raising capacity as a national sales tax.
 - **Internet access tax:** A tax on the providers of internet connection services or ISPs.
 - **ITFA:** Internet Tax-Freedom Act created a three year moratorium on the application of a variety of new internet related taxes. Supporters present the infant industry argument and network externalities (344)
 - **Jurisdictional issues:** If an online sale takes place across the borders of different taxing districts, which jurisdiction's sales tax rate would apply, that of the seller or the buyer? This confusion relates to when a sale takes place, upon payment or when the final consumer receives it?
 - **Nexus:** A connection between a state and a merchant. Physical presence within the state. Sale through catalog orders with a physical store in the state requires the collection of use tax on catalog sales (343).
 - **tax avoidance:** A legal method too keep from paying a particular tax.
 - **tax evasion:** An illegal scheme to keep from paying taxes, punishable by law.

- Questions
 - 1: Answered in the definitions.
 - 2: Taxation, Nexus, Jurisdictional issues and ITFA.
 - 5: Sales tax administration in the industrial age is fairly simple. The merchant collects the tax at the time and place of sale when ownership is transferred. Sales tax administration in the information age becomes more complex because of Jurisdictional issues
 - 6: Use tax complements to the in-state sales tax. The difference requires the buyer to pay any *positive* difference in the amount of the sales tax on the item in the state of residence minus the sales tax paid in the state where the item was purchased.
 - 7: Answered in the definition.

- Also distinguish between **value added tax** (VAT) and **sales tax**.

Chapter 18

The following terms not on Deak's list should be considered more important than that list. You should be able to:

- Describe the
 - **security mindset:** the security mindset involves thinking about how things can be made to fail. It involves thinking like an attacker, an adversary or a criminal. You don't have to exploit the weaknesses you find, but if you don't see the world that way, you'll never notice most security problems. If more people had a security mindset, services that compromise privacy wouldn't have such a sizable market share.
- Explain why **privacy** and **security** are *relative* concepts, not concepts that can be defined for a system as a whole.
 - Mirror image of each other. Internet privacy involves making sure that no unauthorized entity gains access to personal information on the web. Internet security involves protecting the technical integrity of the internet against unauthorized intervention.
- Distinguish among
 - **Viruses:** A self-replicating computer program written to alter the way a computer operates, without the permission or knowledge of the user.
 - **Trojans:** the term originally described software received by users as legitimate and non-malicious.
 - **Worms:** A computer worm is a self-contained program (or set of programs) that is able to spread functional copies of itself or its segments to other computer systems via network connections or email attachments.
- Define and distinguish among (Access is granted based on three concepts)
 - **Identification:** The process that enables recognition of an entity by a system, generally by the use of unique machine-readable user names.
 - **Authentication:** The process of identifying an individual by a computer, usually based on a username and password.
 - **Authorization:** part of the operating system that protects computer resources by only allowing those resources to be used by users that have been granted authority.
- Define
 - **token** (the formal name for cookie): Digital identifiers triggered when a computer revisits a site. The purpose of cookies is to identify web site users/visitors and possibly prepare customized web pages for them.
- Define
 - **trusted system:** Trusted systems are combinations of software and hardware that prevents unauthorized access to content and introduces a management and tracking model on the Internet. The motivation of developing trusted systems is protecting intellectual property. Congress enacted the Digital Millennium Copyright Act (DMCA)
- Define

- **Spam:** Spam is the computer equivalent of junk mail and refers to unwanted email. Spam is often used to advertise products because of its low cost and potential to reach a large number of people.
- **opt-in:** A direct, pro-active request by an individual e-mail recipient to have their e-mail address added to a specific mailing list.
- Define
 - **Encryption:** The process of converting data from its original form to a form that can only be read by someone that can reverse the encryption. The purpose of encryption is to prevent unauthorized reading of the data.
 - **public key encryption:** A strong encryption method that uses a set of two keys, one of which is made public, and one of which is kept private. Data encrypted using the public key can only be decrypted using the private key. The longer the keys, the more difficult it is to break the encryption.
 - **digital signature:** . A way to ensure that a message was actually sent by the person who claims to have sent it. The sender's private key encrypts the signature, and the recipient decrypts the signature with the sender's public key.

Of the key terms and concepts listed on p. 366, you should be able to:

- Recognize all the terms.
- Questions 1-10, 12.
- You should be able to explain why Question 11 is misleadingly framed.

Chapter 19

Of the key terms and concepts listed on p. 382, you should be able to:

- Define and describe
 - **digital divide:** A gap between those who have regular access to the internet and internet information and those whose access is limited or non-existent.
 - **Disintermediation:** The act of eliminating an intermediary between the buyer and seller from the system of purchase. Bypassing a travel agency is an example of disintermediation.
 - **monopolist myth:** Identifies the internet as a vehicle to concentrate economic power and social dominance in the hand of few large firms due to economies of scale (added cost of expansion are relatively low while the advantages are big) and network externalities (brand loyalty).
 - **populist myth:** Identifies the internet as a force that liberates and empowers the individual. It reduces of the cost of acquiring and distributing information and breakdown asymmetric information.

You **are not responsible** for other terms in the list.

- Questions

- 3: Answered in definition.
- 4: Answered in definition.
- 5: Page 371.