

[H. 11] PUBLIC GOODS OR PRIVATE GOODS

- EXCLUSIVE: A GOOD THAT YOU CAN PREVENT PEOPLE FROM CONSUMING
FOOD, CLOTHING, GAS, ...
- RIVALROUNDS (RIVAL IN CONSUMPTION)
A GOOD FOR WHICH ONE PERSON'S CONSUMPTION DIMINISHES THE ENJOYMENT OF OTHERS TO CONSUME THE SAME GOOD
BEACH, FISHING

RIVALROUS

NOT RIVALROUS

EXCLUSIVE

PRIVATE GOOD

- LUNCH
- FOOD, CLOTHING, HOUSES
- CONGESTED TOLL ROAD

NATURAL MONOPOLIES

- NEAR EMPTY MOVIE THEATERS
- SOFTWARE + MP3s
- INSURANCE
- UNCONGESTED TOLL ROAD

NOT EXCLUSIVE

COMMON RESOURCES

- BEACH
- FISHING IN THE OCEAN
- CONGESTED ROAD (NOT TOLL)

ENVIRONMENT

PUBLIC GOODS

- MISSILE DEFENSE
- NPR
- UNCONGESTED ROAD

PUBLIC GOODS

[CH. 11]

FREE RIDER: SOMEONE WHO BENEFITS
FROM A PUBLIC GOOD BUT DON'T PAY
FOR IT

TO FINANCE PUBLIC GOODS:

HIRE AN ECONOMIST
COST-BENEFIT ANALYSIS

EXAMPLE: TRAFFIC LIGHT LIBERTY +
ST. PHILLIP

COST: \$5000

BENEFIT

PROBABILITY OF DEAD PEDESTRIAN

$\frac{1}{10}$ OF 1% OR $.001$

VALUE OF HUMAN LIFE

\$10,000,000

$$\text{BENEFIT} = .001 \times \$10,000,000 = \$10,000$$

COMMON RESOURCES

TRAGEDY OF THE COMMONS

- COMMON RESOURCES GET OVERUSED
RELATIVE TO SOCIETY'S OPTIMAL
LEVEL

EXAMPLES: FISHING IN THE OCEAN

ROADS

RIDES AT DISNEY WORLD

EXTINCT-SOUND TO BE EXTINCT
ANIMALS ANIMALS