

Microeconomics, Module 19, "Common property and public goods" (chapter 14)

*Micro module 19: Readings for ninth edition*

(The attached PDF file has better formatting.)

{The Landsburg textbook is excellent. We say to read certain sections and to skip others. This does not mean that certain sections are better; it means that the homework assignments and exam problems are based on the sections that you must read for this course. Some skipped sections are fascinating, but are not tested.}

Read section 14.1. Know the "important assumption" in the middle of page 458. Be sure to understand Exhibit 14.1 on page 459 (crowd size, value of a visit, and social marginal benefit) and the table on the bottom of page 460 (admission fee, crowd size, and social gain).

Read carefully the section "It Can Pay to Be Different" on pages 461-462 to understand how tastes affect this subject. The analysis at the beginning of the chapter may not apply if consumers have different tastes. Exhibit 14.2 on page 462 shows a graphic that helps you grasp the concepts.

Read section 14.2, "public goods," on pages 465-468. The final exam tests non-rivalrous goods and non-excludable goods; be sure you understand the difference.

Skip "Schemes for Eliciting Information" and "Reaching the Efficient Outcome" on pages 469-470. It is hard to assess the value of public goods for most people. Imagine trying to assess the value of the global war on terror to U.S. citizens. Most people would say the war has no value for them. But the same people might say that Islamic terrorism has enormous negative value. We don't purport to know how to reduce terrorism; we simply say that it is rarely possible to estimate the value of public goods to people.

The tragedy of the commons is one of the most important political issues in the global economy, though it is hard to assess the potential global losses. All countries want to fish in the oceans, but some ocean fish are being depleted (blue tuna is a good example). Solving the problems is extremely difficult, since few countries want to lose money to help their competitors.

Review Exercise N1 on page 471; the final exam problems are similar.

Review Exercise N2 on page 473. For simple scenarios, you must work out the optimal admissions fee.

Work through problems 1 and 2 on pages 471-472; these are good practice for the final exam questions. Be sure you can solve problem 1(c), the optional entrance fee.

Review problem 8 on page 473. The final exam problems ask similar questions about various public goods.

Review problem 10 on page 474. Economists trace who actually gains and who loses from various government legislation. The most widely cited example is minimum wage laws, which harm poor people (who lose their jobs) but help higher paid union workers (who have less competition). Landsburg points out these effects in many chapters of his text.

Review problems 11 and 12 on page 474. These two problems repeat the principles in the text.