

Lecture 13: Public Goods

1. Thus far we have been talking about *private goods*, which are products and services that, once an individual consumes them, their use or consumption is *not* available to others (examples: if I eat a hamburger, that hamburger is not available for you to eat, or if I wear a shirt, you can't wear that same shirt at the same time)
2. Now we will define *public goods*. Public goods are products and services that, once available, are available for everyone to use or consume in the same amount, or it is very costly to exclude others from using or consuming them
3. The public good problem: Private businesses won't provide them because there's no profit in it. Once the public good is provided, others can use or consume it even if they didn't share in paying for it (such consumers are called *free riders*).
4. The solution: Force everyone to pay for the costs of the public good by taxing them
5. Mosquito example: Residential development with a lake, and mosquitoes breed in the lake. Everyone would benefit from mosquito control, but everyone also knows if one resident pays for the cost, everyone else will benefit and be free riders. So the residents wait to see who will step forward and bear all the costs. Meanwhile, while they're waiting, they suffer from the mosquitoes.

Solution: If, for example, mosquito control costs \$1000 and there are 100 houses, assess (tax) each resident \$10.

6. Common public goods
 - a) K-12 education - we all benefit from workers having basic skills
 - b) national defense and public safety - protection of everyone from external and internal threats
 - c) garbage collection - entire community benefits from garbage being collected and disease controlled
 - d) roads - are public goods because costly to exclude users
7. Issues with public goods
 - a) disadvantage; forces everyone to consume same amount, but unlikely everyone agrees with what that amount should be (national defense)
 - b) can fund public goods with taxes, but can still hire private businesses to provide the public goods (private garbage collection firms, school vouchers)
 - c) technology can change what is considered a public good - it is now easier to build and operate privately funded toll roads