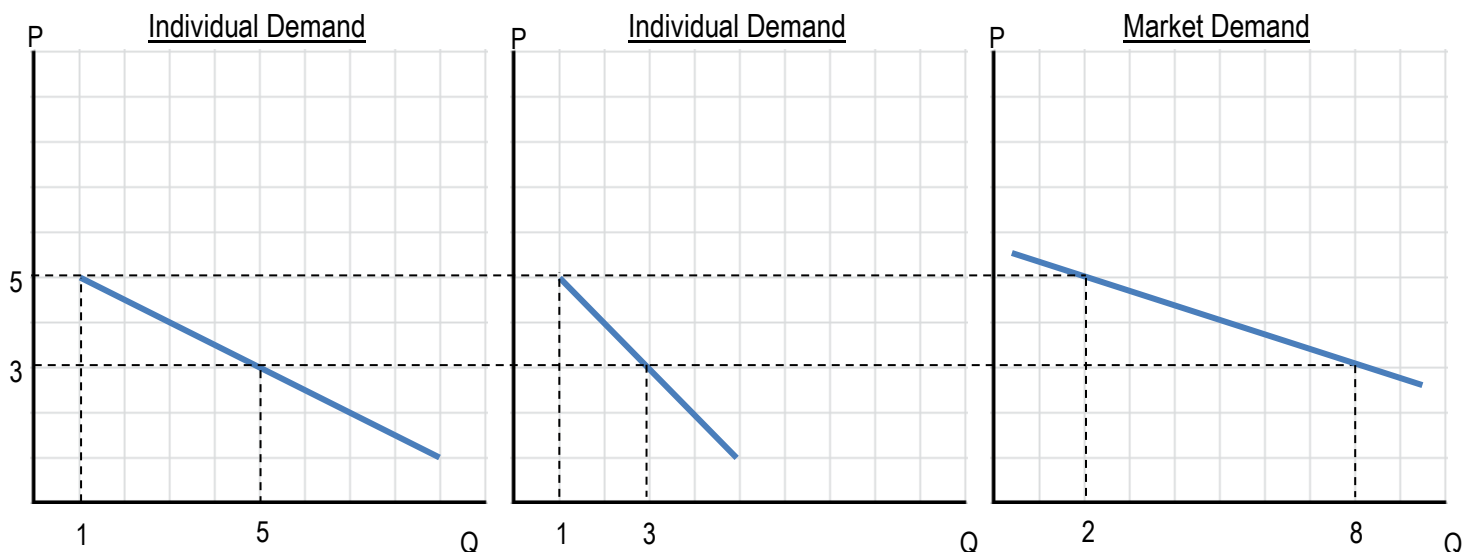
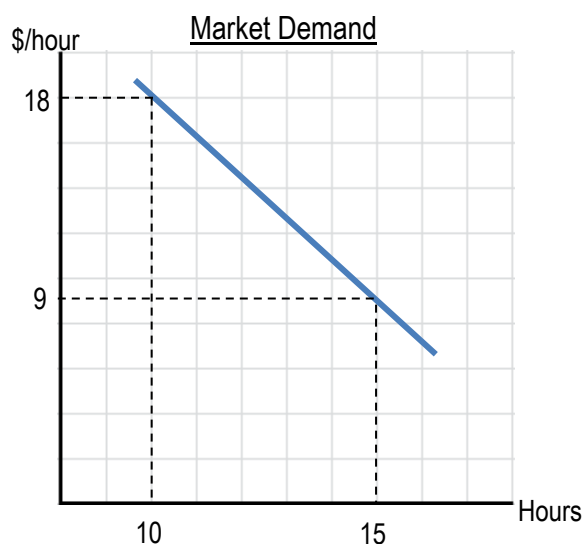
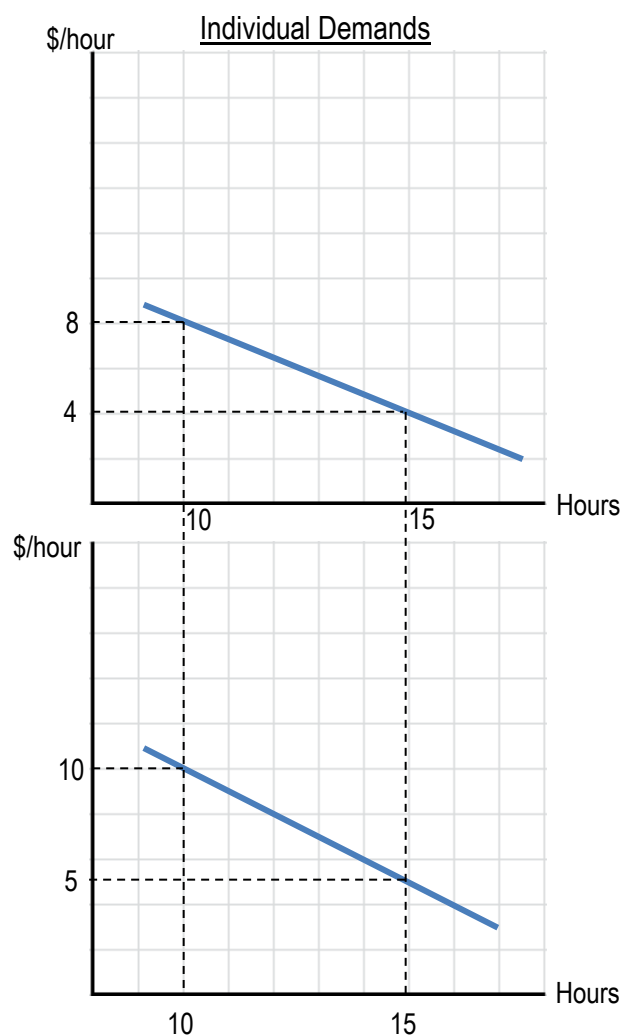


CONCEPT: PUBLIC GOOD – DEMAND CURVE AND OPTIMAL QUANTITY

- To create the demand curve of a **private good**, we add all individual _____ at each _____.



- To create the demand curve of a **public good**, we add all individual _____ at each _____.



- The **optimal quantity** of a public good occurs where _____.
- The MSB curve is the _____ of individual values consumers place on the public good.
- The MSC curve is _____ to the supply curve (in the absence of externalities).

PRACTICE: The benefit of an additional unit of a public good is:

- a) The highest price someone would pay for it
- b) The lowest price someone would pay for it
- c) The sum of the reservation price of all the people who use it
- d) None of the above

PRACTICE: If the benefit of a public good does not exceed its cost:

- a) The government should not provide the public good
- b) The government should provide the public good
- c) The government is indifferent about producing the public good
- d) None of the above

PRACTICE: To find the benefit of an additional unit of a public good, we sum the individual demand curves:

- a) Horizontally
- b) Vertically
- c) Diagonally
- d) None of the above

PRACTICE: Two roommates plan to spend their evening with a marathon of Saw horror movies. Because it is a marathon, they must start with the first movie in the series and continue in order. Their willingness to pay for the rental of each movie is as follows:

Movie	Ricky	Martin
Saw I	\$9	\$7
Saw II	\$7	\$5
Saw III	\$5	\$3
Saw IV	\$3	\$1

The marginal benefit from renting the third movie is:

- a) \$36
- b) \$8
- c) \$5
- d) \$3

If each movie rental costs \$6, how many movies should they rent?

- a) One movie
- b) Two movies
- c) Three movies
- d) Four movies

PRACTICE: Which of the following is not a possible solution to the tragedy of the commons?

- a) Users sharing the work needed to manage the use of the resource
- b) Private ownership
- c) Government regulation
- d) All of the following are possible solutions to the tragedy of the commons.