



ECO 1311, University of Dallas
Public Goods-- Practice Problems

1. What is an externality? Why are externalities considered to be a form of market failure?
2. Provide an example of a) a negative externality b) a positive externality. What is the underlying cause of externalities?
3. In a free society do citizens have the right to throw their trash wherever they like? What if their trash consists of small particles, that are invisible to the naked eye? What if these small particles can be seen in a microscope during autopsies of people who die of a respiratory diseases?
4. What is a public good? Why is it considered to be a form of market failure?
5. What is the free-rider problem?
6. What two specific characteristics make public goods different from private goods?
7. The anti-vax movement opposes compulsory vaccination for a number of reasons including small risks associated with vaccinations and individual liberty. What elements of vaccination does the anti-vax movement almost always fail to acknowledge?
8. Social norms are sometimes used to overcome market failure in the face of positive externalities. For example, people are more likely to give to charity when they notice that a large number of other people are giving. What role do social norms play in term of using economic incentives to overcome free-riding?

Some problems have been extracted and/or adapted from:

- Cowen, Tyler, and Alex Tabarrok. *Modern principles of microeconomics*. Macmillan International Higher Education, 2015.
- Acemoglu, Daron, David Laibson, and John List. *Economics, global edition*. Pearson, 2015.
- Miller, Roger LeRoy. *Economics Today: The Micro View*. Pearson, 2018.