

MARKET FAILURES I

MPA 612: Economy, Society, and Public Policy

March 18, 2019

*Fill out your reading report
on Learning Suite*

PLAN FOR TODAY

Public goods

Multiplicative Products, Inc.

Addressing external effects

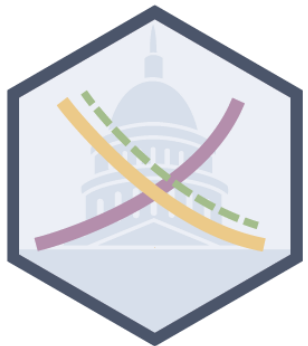
Capitalism, markets, and public policy

Growth Social dilemmas
Measurement Fairness

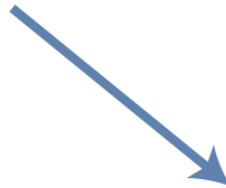


Scarcity, power, and inequality

Preferences Institutions Rights



ECONOMY, SOCIETY, AND PUBLIC POLICY



Evaluating and implementing policies

Cost-benefit analysis Experiments
Causal inference Politics



Market failures, governments, and politics

Externalities Public goods Rent seeking
Monopolies Government intervention



Economic models

Firms and markets Credit markets
Labor markets Macroeconomics

Problem set 7

PUBLIC GOODS

PUBLIC GOODS

Excludable

You can stop people
from using it

Rival

You using it makes it so
others can't use it

PUBLIC GOODS

	Excludable	Not excludable
Rival	Private goods/bads	Common Pool Resources
Not rival	Club goods	Public goods/bads

RIVALRY AND EXCLUDABILITY

A free public lecture held at a university

Noise produced by aircraft around an airport

A forest used by the community
to collect firewood

Hamilton tickets

A public park

Bicycles available to the public to hire
to travel around a city

PUBLIC GOODS ARE TRICKY

Public goods are underprovided

Public goods are a multi-party
game theory dilemma

Free riding and hare hunting

MULTIPLICATIVE PRODUCTS, INC.

00:00

202 × 87

243 × 22

992 × 37

562 × 60

141 × 90

536 × 21

724 × 20

510 × 24

553 × 92

268 × 38

262 × 19

776 × 35

384 × 93

783 × 56

257 × 21

17,574	5,346	36,704
33,720	12,690	11,256
14,480	12,240	50,876
10,184	4,978	27,160
35,712	43,848	5,397

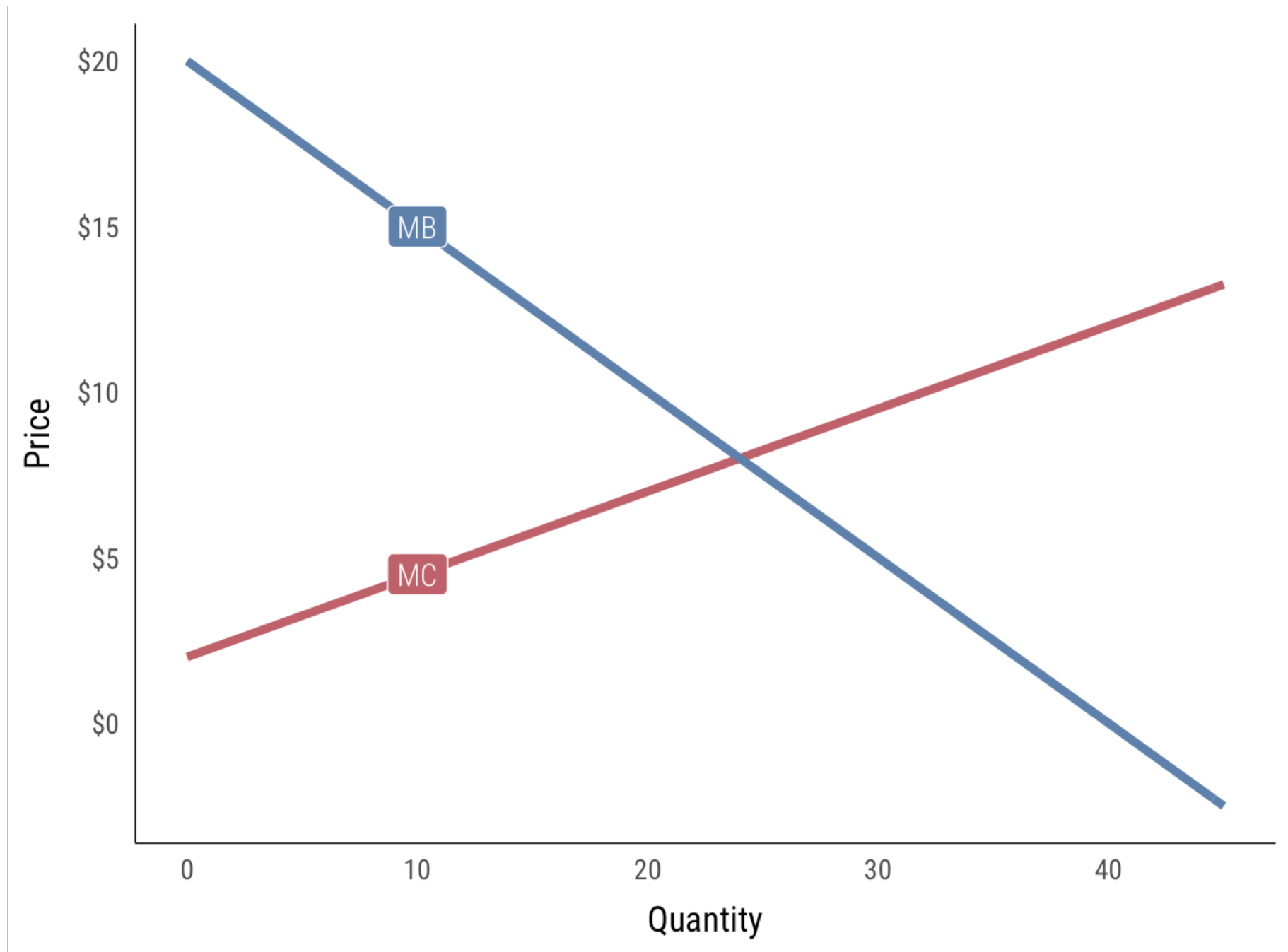
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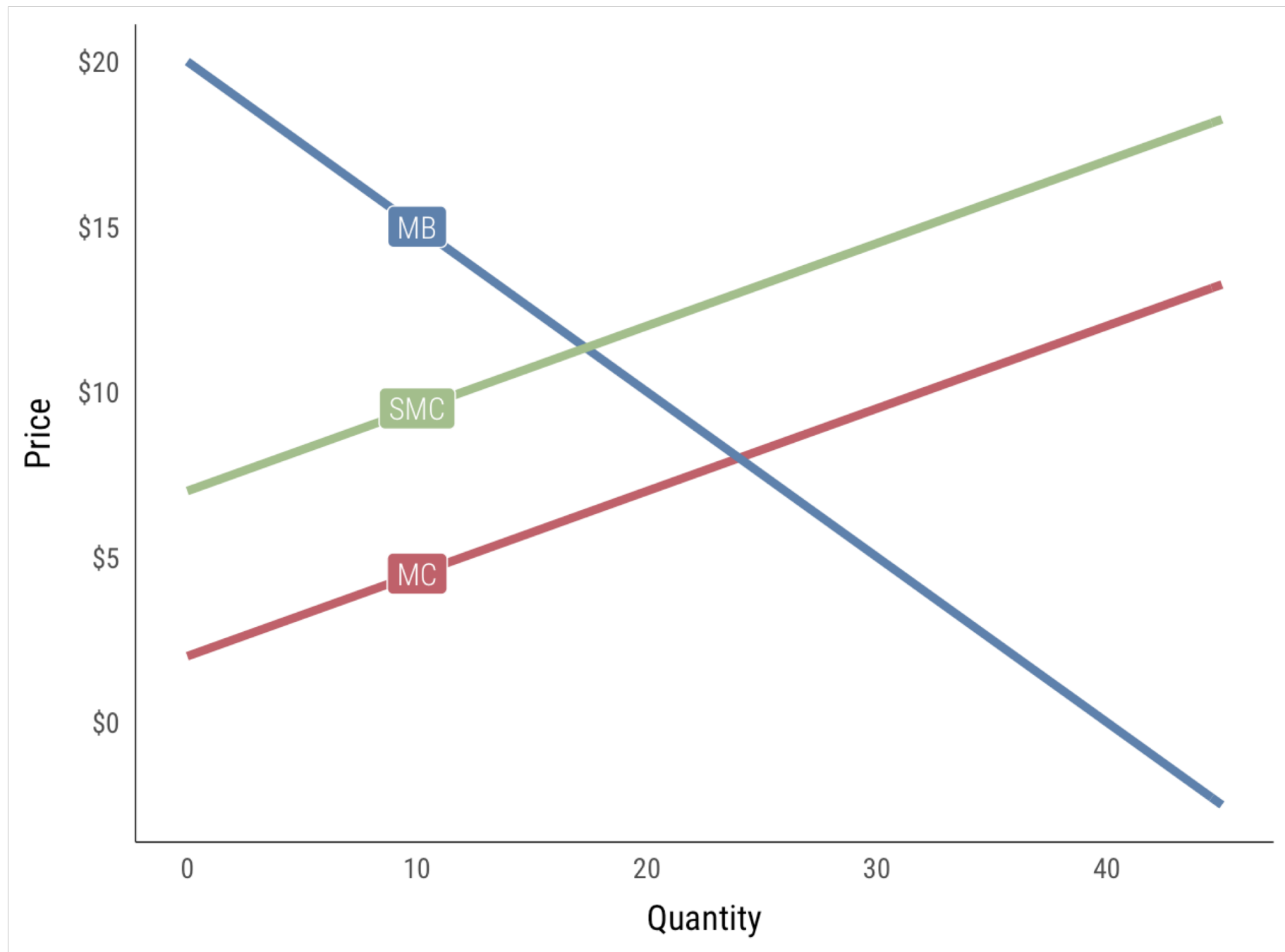
EXTERNAL EFFECTS

(aka externalities)

**A cost or benefit to
someone who did not
choose that cost or benefit**

Social marginal cost/benefit





00:00

648 × 38

135 × 58

396 × 22

661 × 11

296 × 27

551 × 39

108 × 37

573 × 45

709 × 23

699 × 14

848 × 24

378 × 19

853 × 56

332 × 12

237 × 29

24,624	7,830	8,712
7,271	7,992	21,489
3,996	25,785	16,307
9,786	20,352	7,182
47,768	3,984	6,873

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00:00

660 × 13

923 × 37

681 × 60

309 × 55

374 × 22

788 × 13

354 × 11

556 × 21

166 × 74

363 × 18

281 × 37

745 × 95

372 × 52

598 × 13

544 × 95

8,580	34,151	40,860
16,995	8,228	10,244
3,894	11,676	12,284
6,534	10,397	70,775
19,344	7,774	51,680

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874 × 31

340 × 16

380 × 35

676 × 73

309 × 70

659 × 28

590 × 90

829 × 90

319 × 49

931 × 80

338 × 91

554 × 20

357 × 44

826 × 76

863 × 81

EXAMPLES

Pollution

Vaccinations

Cell phones and driving

Car alarms

Internet bandwidth

Research

Education