	Rival	Non-rival
Exclud.	Private Good	Club Goods
Non-exclud.	Common Property	Pure Public

private solution
unless open access

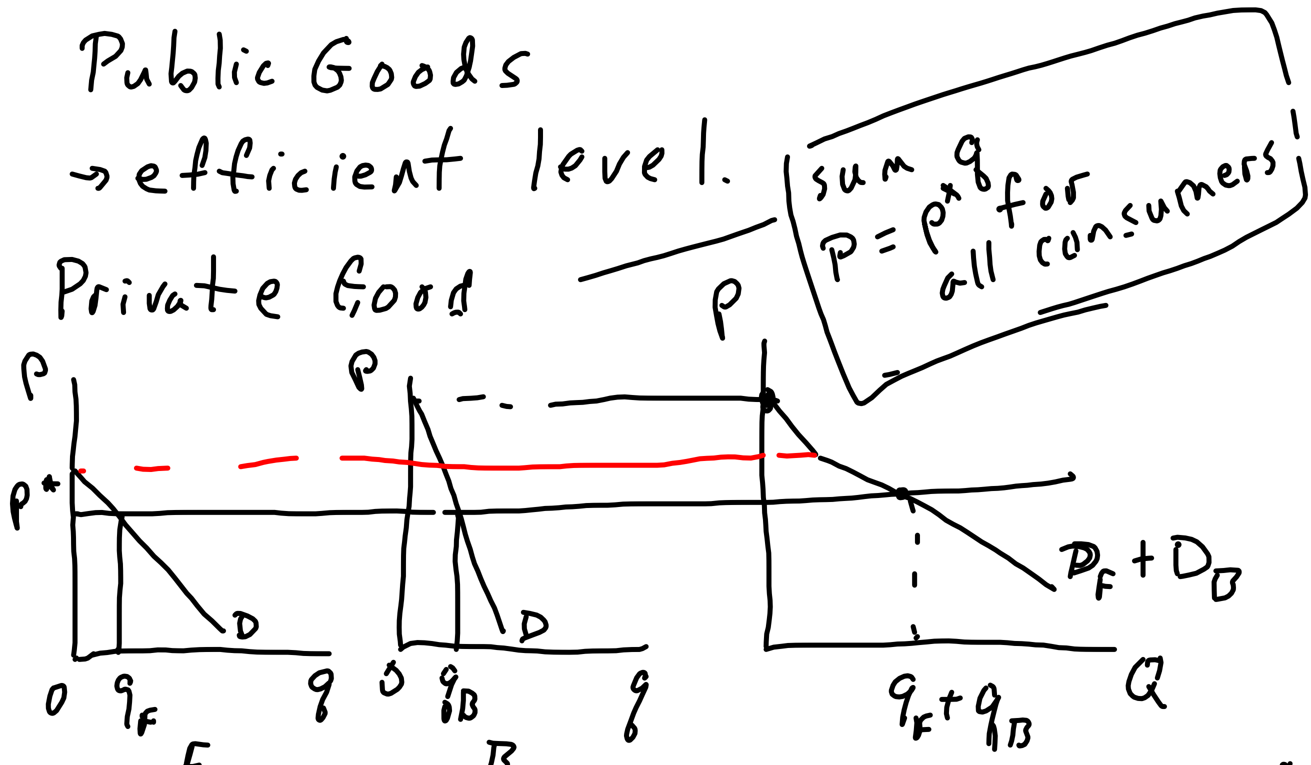
Fig 5.5
Fig 5.6
examples

Public Good
" Bad

Public Goods

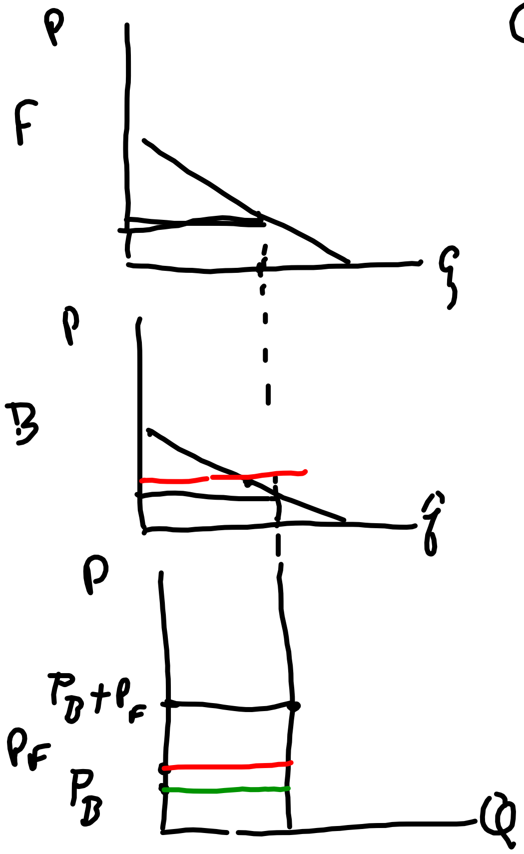
→ efficient level.

Private Good



$WTP_F + WTP_B = WTA = P^*$

Public Good



$Q = q$

$P_F \neq P_B$

each pays WTP

Price = Marginal Benefit.

If $P_B = P_F$

then B will want less

set $P = \frac{P_B + P_F}{2}$

Free riding → perception that Q won't fall if I don't pay

production $Q = \alpha \cdot \sum_{i=1}^{n} q_i$

$Q = 6$ net 4 because $C = 2$

α - cons. surplus multiplier

F \ B	C	NC
C	4, 4	1, 5
NC	5, 1	2, 2 *

each $q \to 0, 2$

$\sum q_i = 4 \quad \alpha = 1.5$

$Q = 6$

$\sum q_i = 2 \quad Q = 3$

NC, C $\quad 5 > 4$

* Nash Equil.

NC → dominant strategy

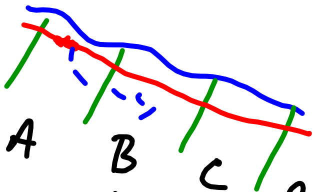
Best response to all opponent's play

Production Function

$Q = \alpha \cdot \sum_i q_i$ − linear public − free ride dominant strategy

$Q = \min\{q_i\}$ − weak link — less free riding

for i $q_i \uparrow$ if $q_i < q_j$



$Q = \max\{q_i\}$ − best shot — easy riding

if $q_i < \max q$ $q_i = 0$

$$Q = \begin{cases} Z, & \sum_i q_i \ge TH \\ 0 & \sum_i q_i < TH \end{cases}$$

If $\sum q_i < TH$ everyone is pivotal

NE $\sum q_i = TH$ provided.

Q 1 p 110

Huck

Matilda

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