The problems below draw from the material in Chapter 11 and accompanying lectures.

1. Explain what is meant by a good being “excludable.” Explain what is meant by a good being “rival” in consumption. Is a pizza excludable? Is it rival?

2. Define and give an example of a public good. Can the private market provide the efficient quantity of a public good? Explain.

3. Define and give an example of a common-property resource. Without government intervention, how will people use this good—too little, too much or just right? Why?

4. No one owned the bison that roamed the Great Plains in the nineteenth century. How did this fact contribute to their extinction? Cite some analogous examples of today.

5. Pretentious Pedro advises, "Study as much as you possibly can for the next exam." Correct him, using the economic decision rule.

6. Chapters 10 and 11 provide an economic rationale for government involvement in two types of market inefficiencies: externalities exist or public goods (and common property resources). Most government activity does not involve one of these problems, which raises the larger problem of the appropriate size of government. Watch the two videos of Milton Friedman and answer the questions that follow:

http://www.youtube.com/watch?v=JfdRpyfEmBE

http://www.youtube.com/watch?v=prmggcDVe6w&feature=related

a. Explain why Friedman says that it is a fallacy to think that government can do good with other people’s money.

b. How does Friedman characterize the natural condition of mankind? What time period is the most notable exception? How did Friedman evaluate the trend in individual liberty when he did the “Open Mind” interview, which was probably the late 1970s (Who picked that creepy music for the introduction?). Are we further down the “road to serfdom” now or not?

c. What does Friedman say are the legitimate roles of government? What is his optimal size of government?

d. Why, according to Friedman, is government inefficiency a blessing?
7. Forty-one per 100,000 full-time roofers and thirty-three per 100,000 full-time coal miners die from a fatal occupational injury each year. If roofers are paid $500 a year more than coal miners, what is the statistical value of life?