

Defining Pure and Impure Public Goods

| | | Is the good rival in consumption? | |
|-------------------------|-----|--|----------------------------------|
| | | Yes | No |
| Is the good excludable? | Yes | Private good (ice cream) | Impure public good (Cable TV) |
| | No | Impure public good (crowded sidewalk) | Public good (defense) |

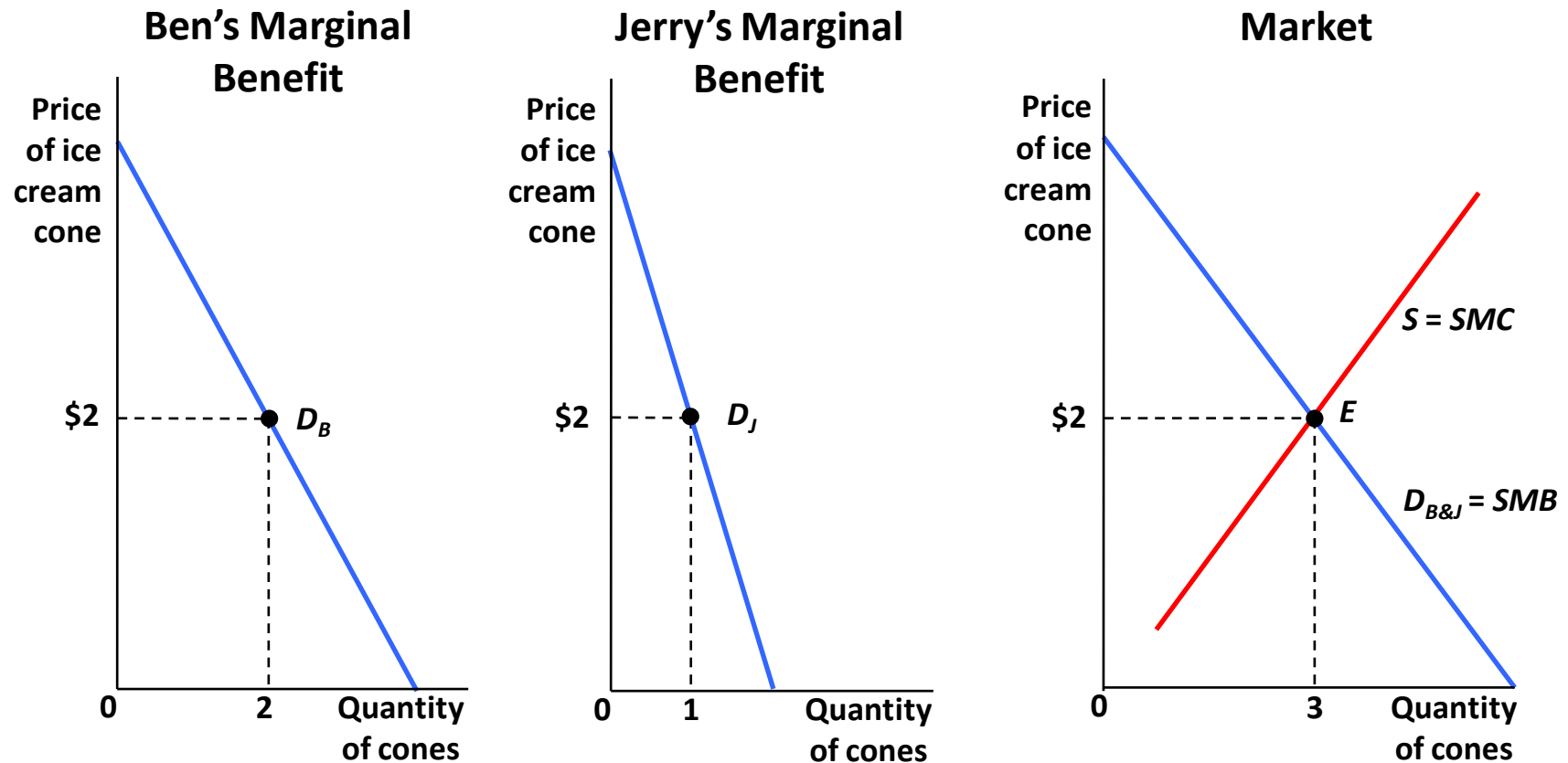
Optimal Provision of Public Goods

How much of the public good should society provide?

- Markets will not provide the correct amount.
- To answer this question, start by reconsidering the market for a private good, ice cream cones.
- Ben and Jerry have different tastes for ice cream (ic), relative to the other good (c). How does the market aggregate their preferences?

7.1

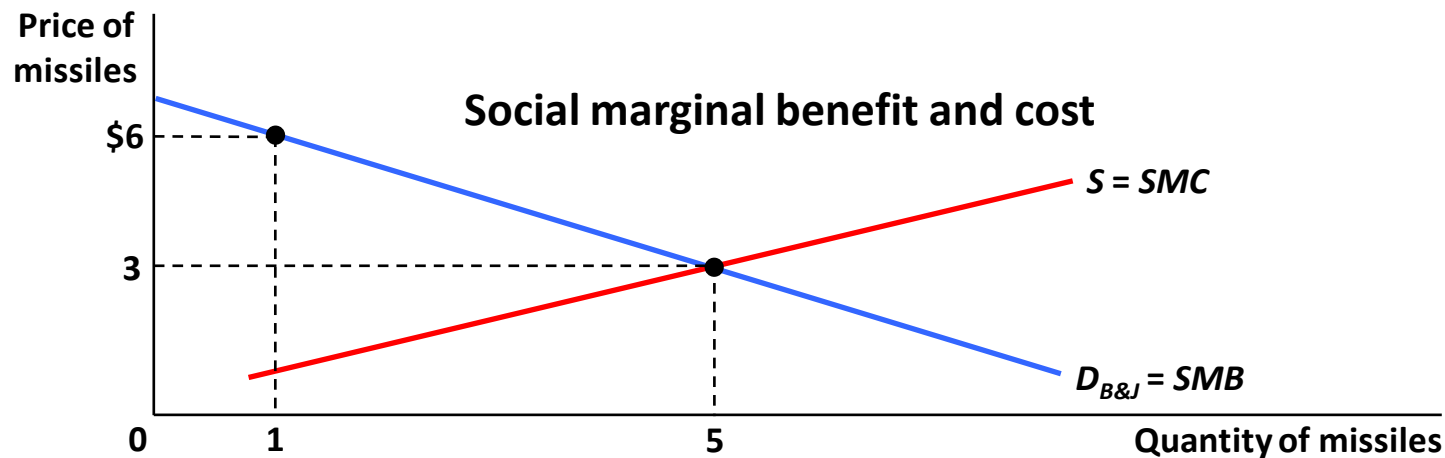
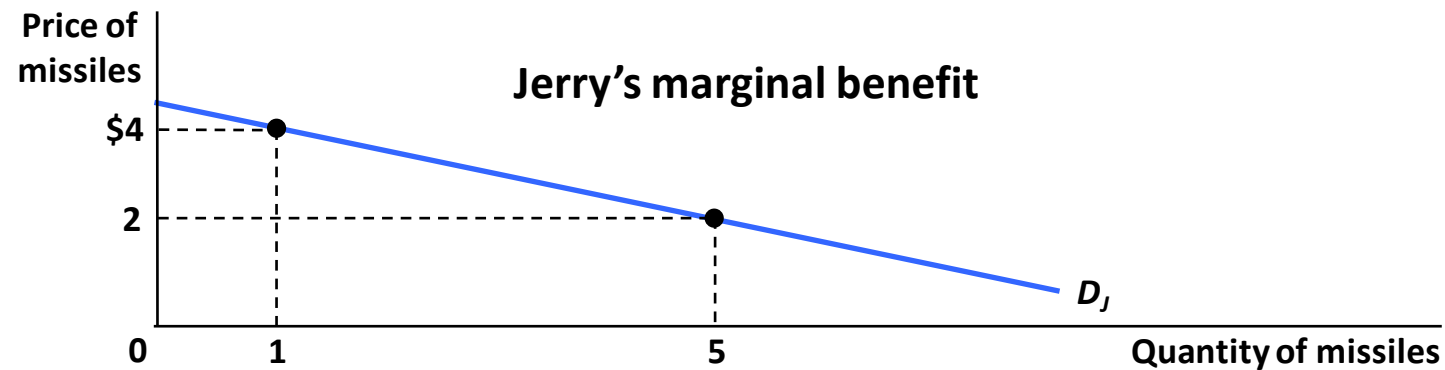
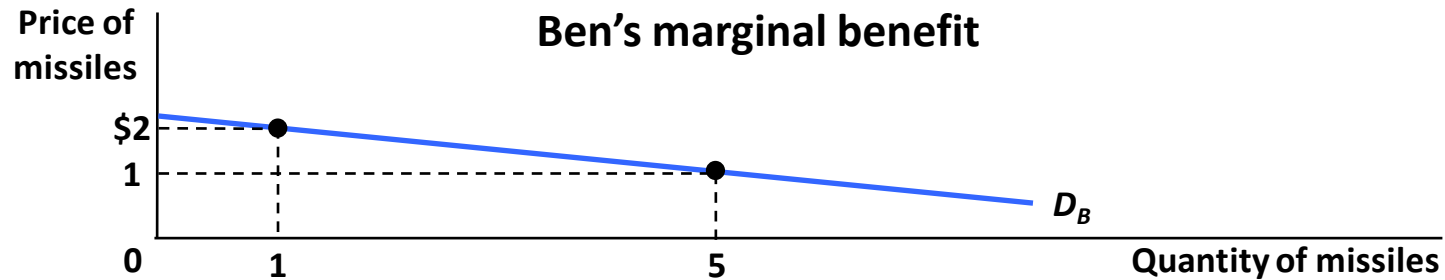
Horizontal Summation in the Private Goods Market



- To find social demand curve, add quantity at each price—sum horizontally.

7.1

Vertical Summation in the Public Goods Market



APPLICATION: The Free Rider Problem in Practice

The free rider problem is one of the most powerful concepts in all of economics.

- **Radio and television programming:**
 - WNYC has an estimated listening audience of about 1 million people, but only 7.5% of their listeners support the station.
 - The United Kingdom uses a non-market solution: The BBC charges an annual licensing fee to anyone who owns and operates a TV!

APPLICATION: The Free Rider Problem in Practice

- **File sharing:**
 - 85% of users of a file sharing program download files only from others.
 - The file-sharing software Kazaa gives download priority to users according to their ratings, thus discouraging free riders.
- **Bicycle shares:**
 - Users were expected to return each bike riding.
 - Within four days, not a single bicycle was left.
 - Literal example of a “free ride.”

APPLICATION: Business Improvement Districts

Clean, safe sidewalks are public goods.

- Cities attempt to provide them through street repair and police work, financed with tax revenue.
- But New York City's Times Square in the 1980s was a failure:
 - “Dirty, dangerous, decrepit, and increasingly derelict”
- In 1992, a group of private firms formed a “Business Improvement District” to improve the area themselves.

APPLICATION: Business Improvement Districts

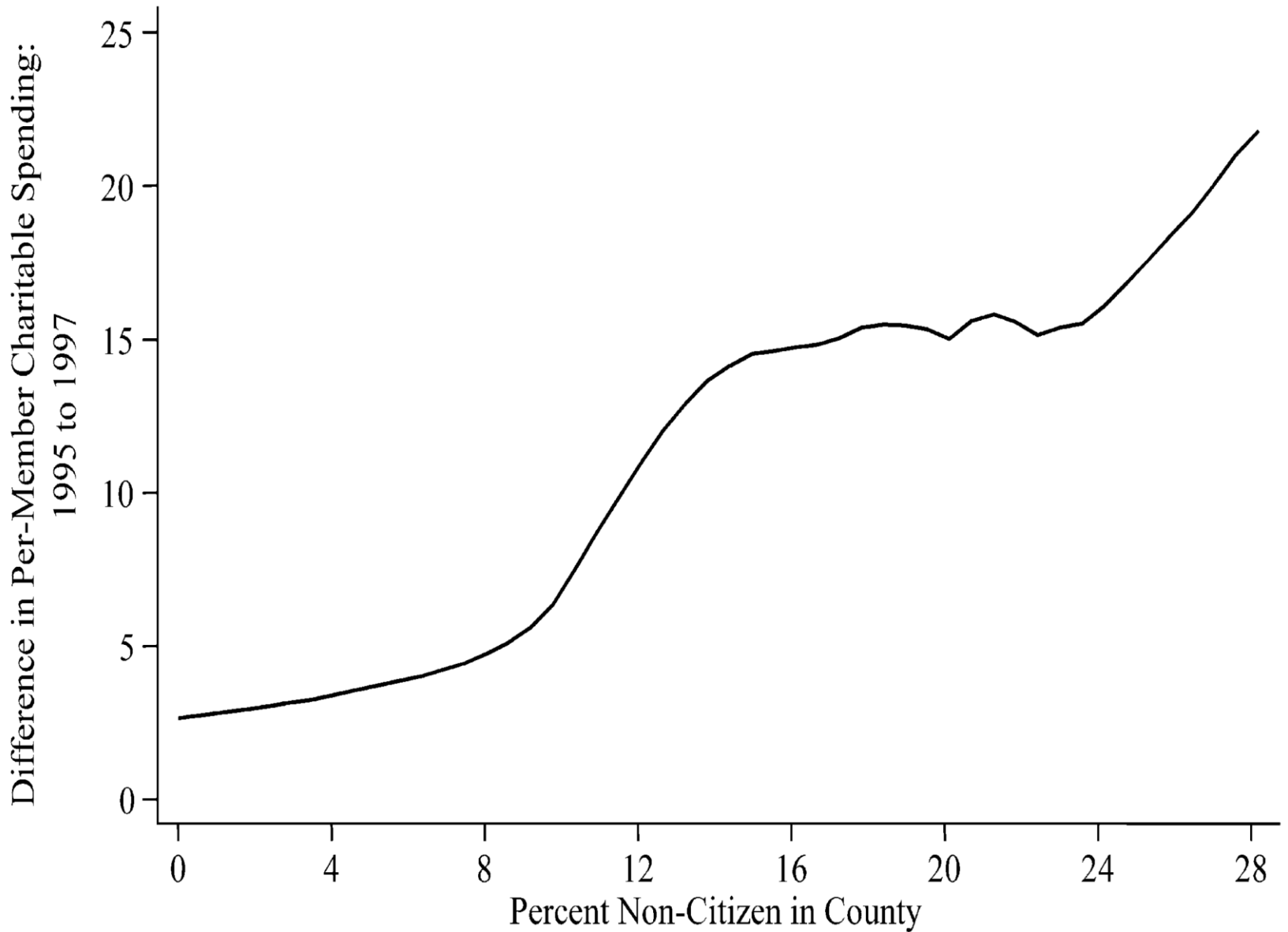
How did this BID work?

- A (BID) is a legal entity that privately provides local services and funds these services with fees charged to local businesses.
- How do BIDs overcome free rider problem?
- NYC law allows BIDs to levy fees on non-paying members, as long as 60% of members contribute.
- Resounding success:
 - Crime has dropped significantly.
 - The area is cleaner and more attractive.
 - Business and tourism are booming.

APPLICATION: Business Improvement Districts

Resounding success:

- Crime has dropped significantly.
- The area is cleaner and more attractive.
- Business and tourism are booming.
- Success of BIDs depends on the legal underpinnings:
Can members charge fees to encourage payment?



Source: Hungerman 2005

Civic duty mailing

Dear Registered Voter:

DO YOUR CIVIC DUTY AND VOTE!

Why do so many people fail to vote? We've been talking about this problem for years, but it only seems to get worse.

The whole point of democracy is that citizens are active participants in government; that we have a voice in government. Your voice starts with your vote. On August 8, remember your rights and responsibilities as a citizen. Remember to vote.

DO YOUR CIVIC DUTY – VOTE!

Hawthorne mailing

Dear Registered Voter:

YOU ARE BEING STUDIED!

Why do so many people fail to vote? We've been talking about this problem for years, but it only seems to get worse.

This year, we're trying to figure out why people do or do not vote. We'll be studying voter turnout in the August 8 primary election.

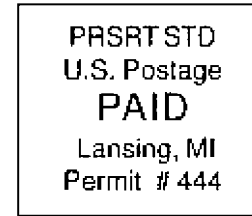
Our analysis will be based on public records, so you will not be contacted again or disturbed in anyway. Anything we learn about your voting or not voting will remain confidential and will not be disclosed to anyone else.

DO YOUR CIVIC DUTY – VOTE!

Self mailing

3 0 4 2 2 - 4 ||| ||| ||| |||

For more information: (517) 351-1975
email: etov@grebner.com
Practical Political Consulting
P. O. Box 6249
East Lansing, MI 48826



ECRLOT **C050
THE WAYNE FAMILY
9999 OAK ST
FLINT MI 48507

Dear Registered Voter:

WHO VOTES IS PUBLIC INFORMATION!

Why do so many people fail to vote? We've been talking about the problem for years, but it only seems to get worse.

This year, we're taking a different approach. We are reminding people that who votes is a matter of public record.

The chart shows your name from the list of registered voters, showing past votes, as well as an empty box which we will fill in to show whether you vote in the August 8 primary election. We intend to mail you an updated chart when we have that information.

We will leave the box blank if you do not vote.

DO YOUR CIVIC DUTY—VOTE!

| | | | |
|-------------------|--------|--------|--------|
| OAK ST | Aug 04 | Nov 04 | Aug 06 |
| 9999 ROBERT WAYNE | | Voted | _____ |
| 9999 LAURA WAYNE | Voted | Voted | _____ |

Neighbors mailing

Dear Registered Voter:

WHAT IF YOUR NEIGHBORS KNEW WHETHER YOU VOTED?

Why do so many people fail to vote? We've been talking about this problem for years, but it only seems to get worse. This year, we're taking a new approach. We're sending this mailing to you and your neighbors to publicize who does and does not vote.

The chart shows the names of some of your neighbors, showing which have votes in the past. After the August 8 election, we intend to mail an updated chart. You and your neighbors will all know who voted and who did not

DO YOUR CIVIC DUTY – VOTE!

| MAPLE DR | Aug 04 | Nov 04 | Aug 06 |
|--------------------------|--------|--------|--------|
| 9995 JOSEPH JAMES SMITH | VOTED | VOTED | _____ |
| 9995 JENNIFER KAY SMITH | VOTED | | _____ |
| 9997 RICHARD B JACKSON | VOTED | | _____ |
| 9999 KATHY MARIE JACKSON | | VOTED | _____ |
| 9987 MARIA S. JOHNSON | VOTED | VOTED | _____ |
| 9987 TOM JACK JOHNSON | VOTED | VOTED | _____ |

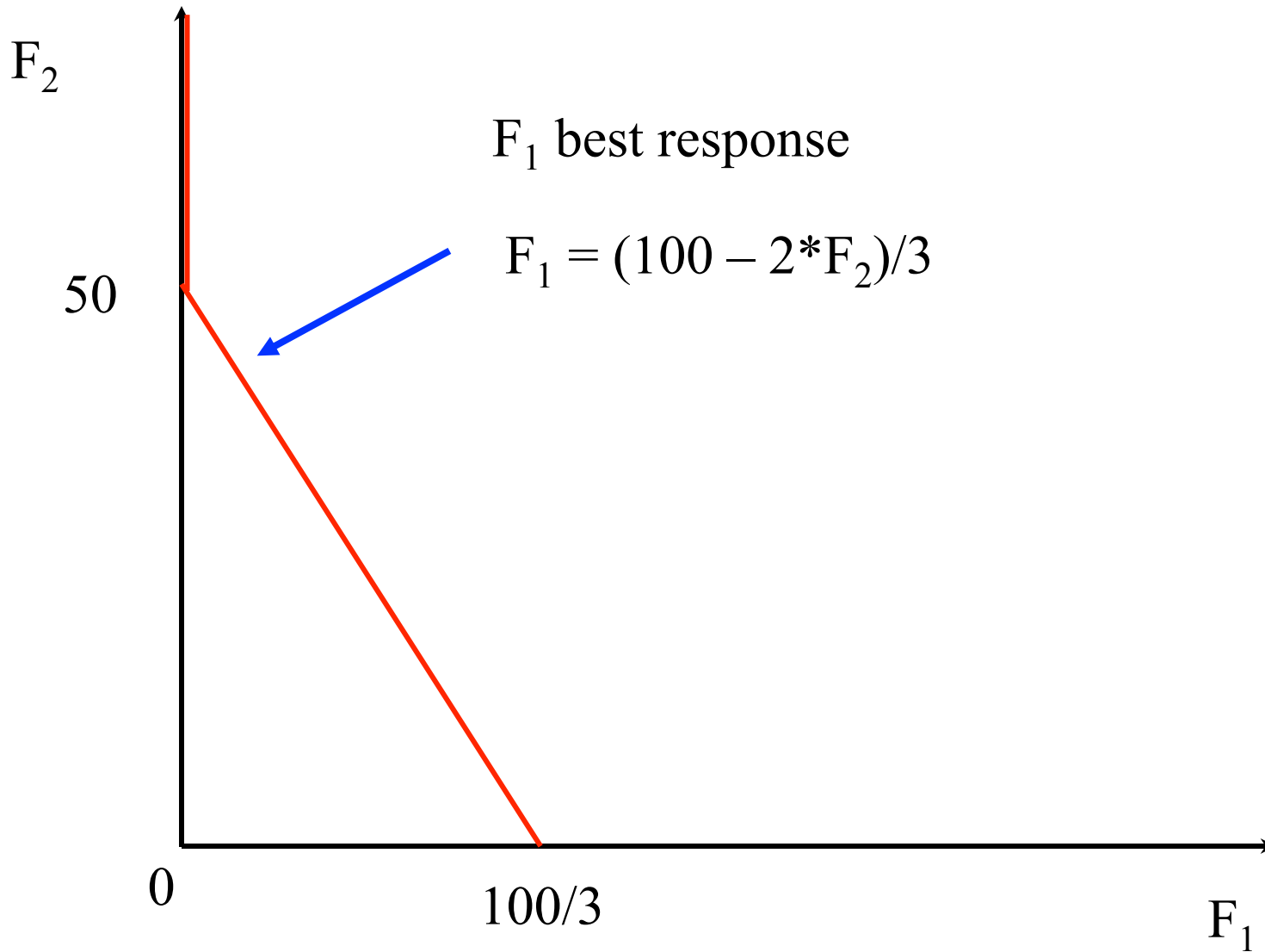
Source: Gerber, Green, and Larimer (2008)

TABLE 2. Effects of Four Mail Treatments on Voter Turnout in the August 2006 Primary Election

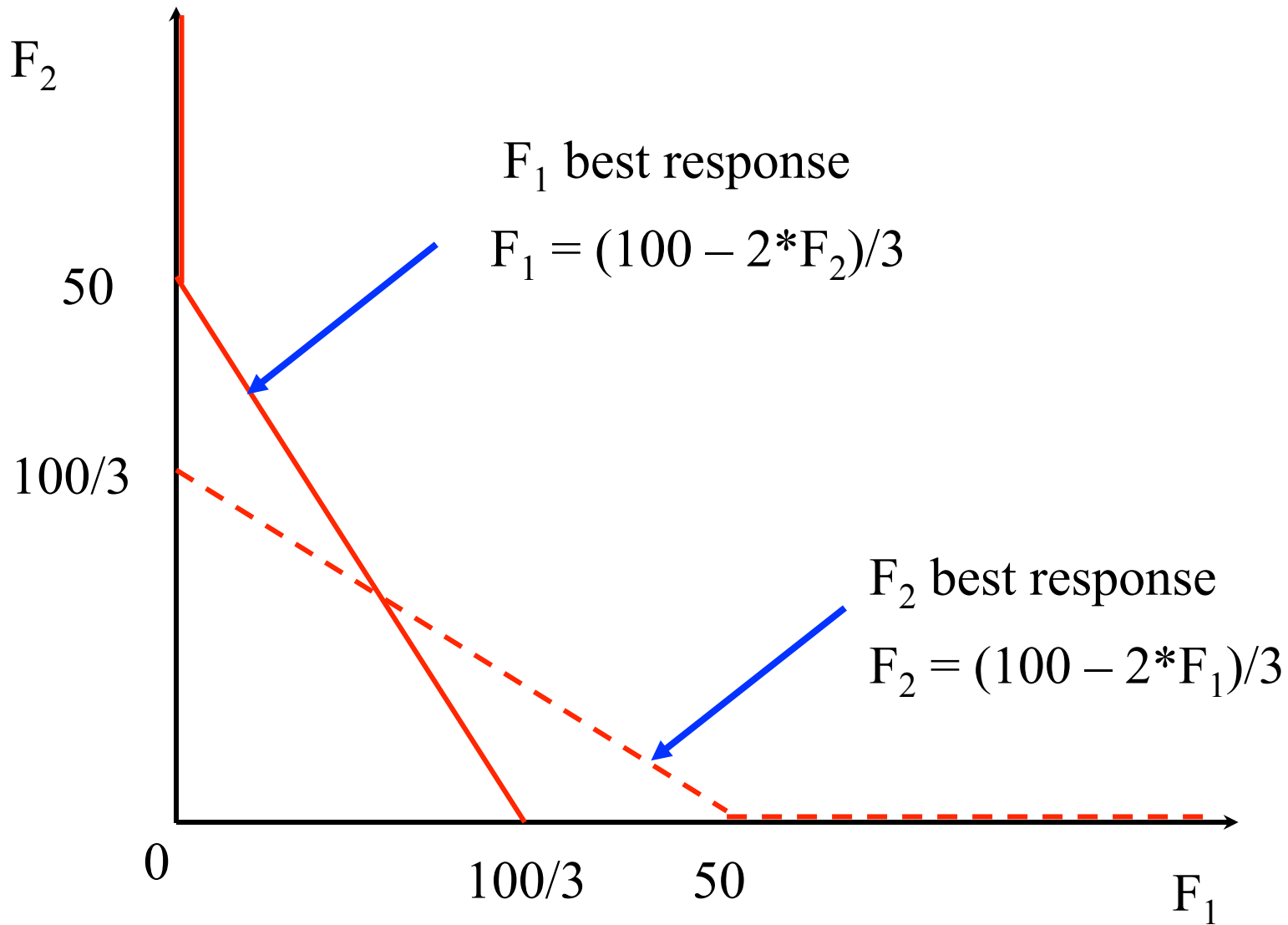
| | Experimental Group | | | | |
|-------------------|--------------------|------------|-----------|--------|-----------|
| | Control | Civic Duty | Hawthorne | Self | Neighbors |
| Percentage Voting | 29.7% | 31.5% | 32.2% | 34.5% | 37.8% |
| N of Individuals | 191,243 | 38,218 | 38,204 | 38,218 | 38,201 |

Source: Gerber, Green, and Larimer (2008)

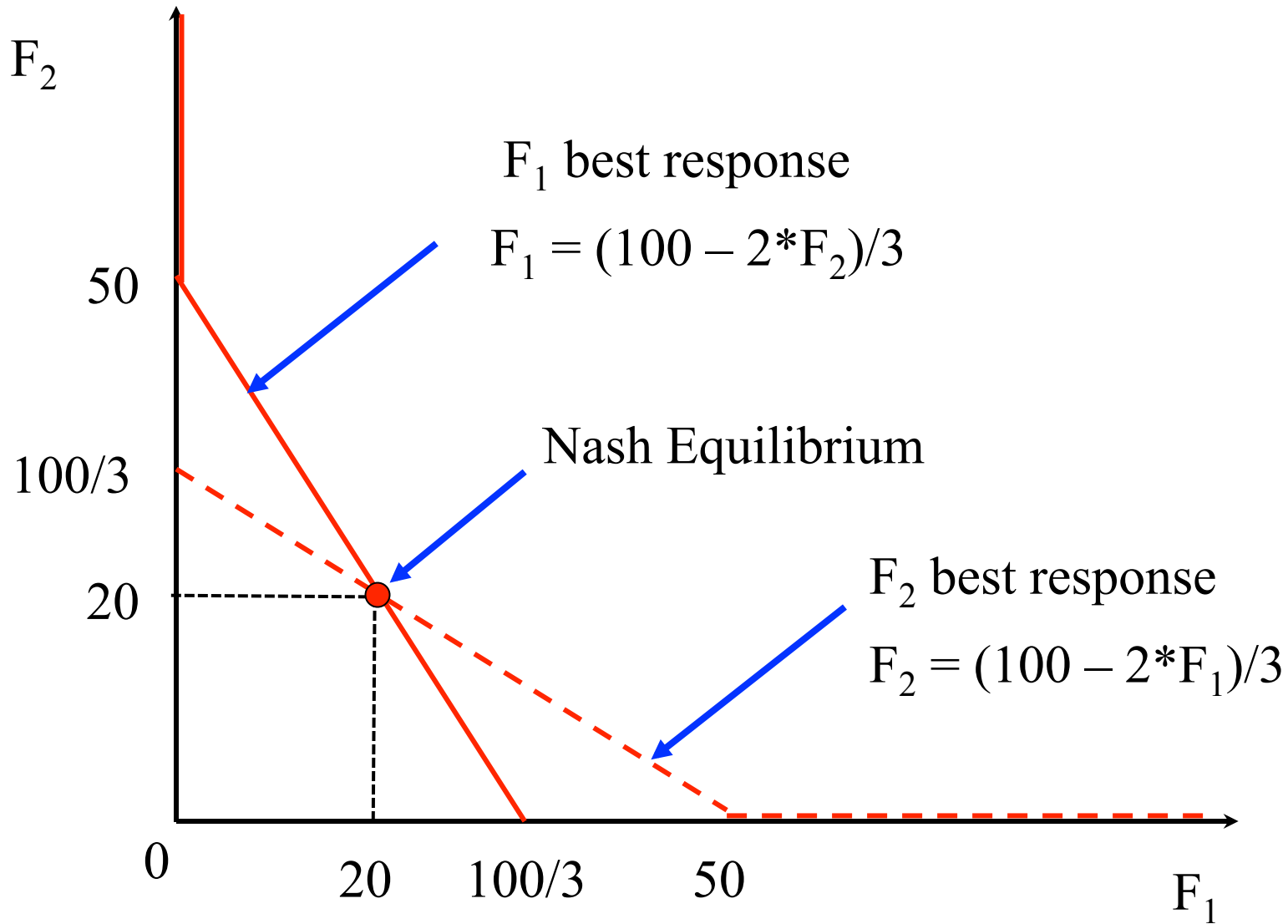
Private Provision of Public Good



Private Provision of Public Good



Private Provision of Public Good



Average tax rates by income group in 2018: US vs. France (% of pre-tax income)

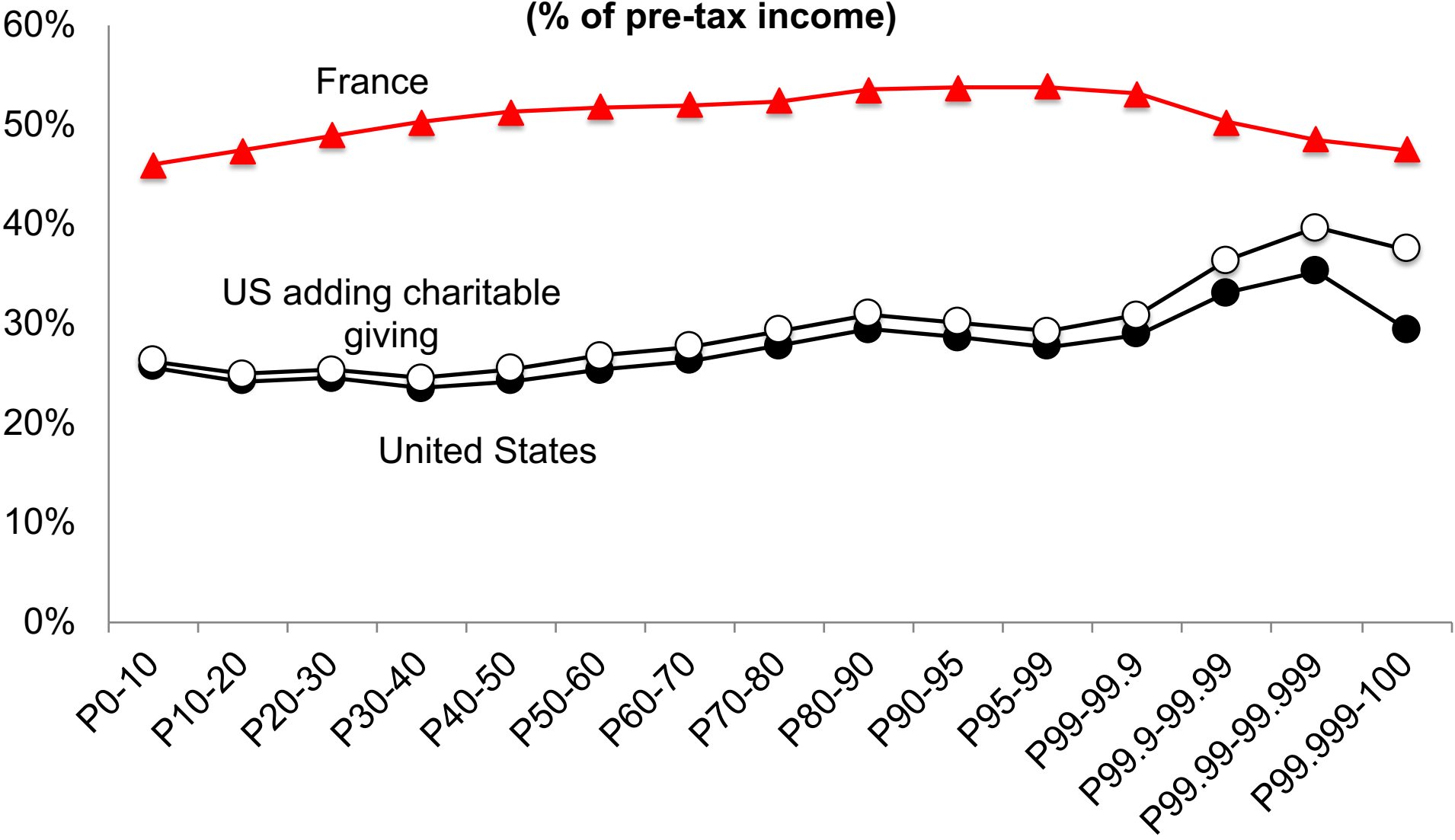
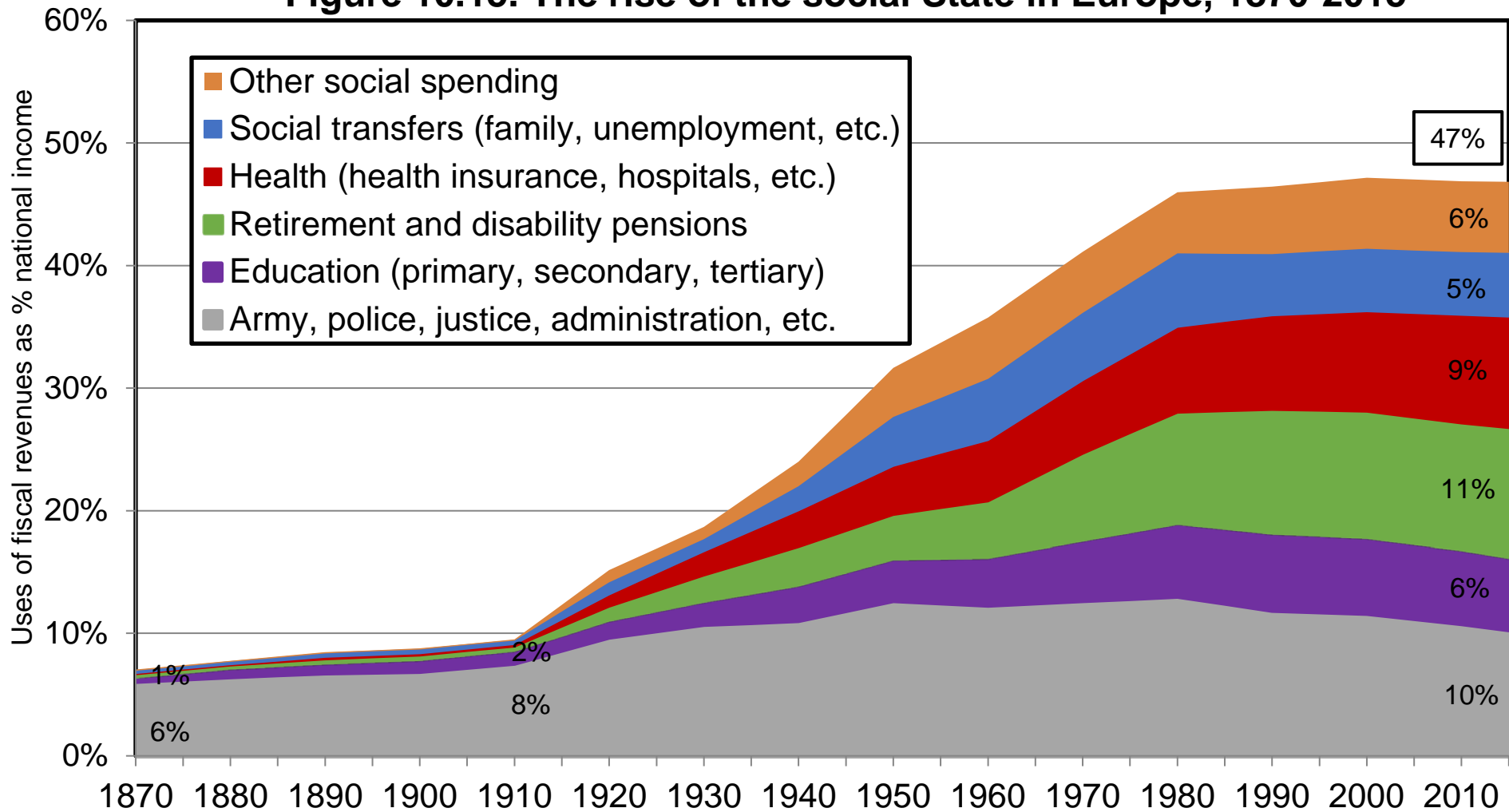


Figure 10.15. The rise of the social State in Europe, 1870-2015



Interpretation. In 2015, fiscal revenues represented 47% of national income on average in Western Europe et were used as follows: 10% of national income for regalian expenditure (army, police, justice, general administration, basic infrastructure: roads, etc.); 6% for education; 11% for pensions; 9% for health; 5% for social transfers (other than pensions); 6% for other social spending (housing, etc.). Before 1914, regalian expenditure absorbed almost all fiscal revenues. **Note.** The evolution depicted here is the average of Germany, France, Britain and Sweden (see figure 10.14). Sources and séries: see piketty.pse.ens.fr/ideology.