

6 Public goods and inequality — Part 2

— Answers

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Work through these after you have tried the questions yourself.

2.1 it is non-rival (one person's use does not reduce another's) and non-excludable (non-payers cannot be kept out).

2.2 since non-payers cannot be excluded, people can enjoy it without paying (free-riding), so firms cannot charge for it and under-provide it.

2.3 any of: national defence, street lighting, a lighthouse.

2.4 0 means perfect equality (everyone earns the same); 1 means perfect inequality (one person has all the income).

2.5 that income is very unequally distributed.