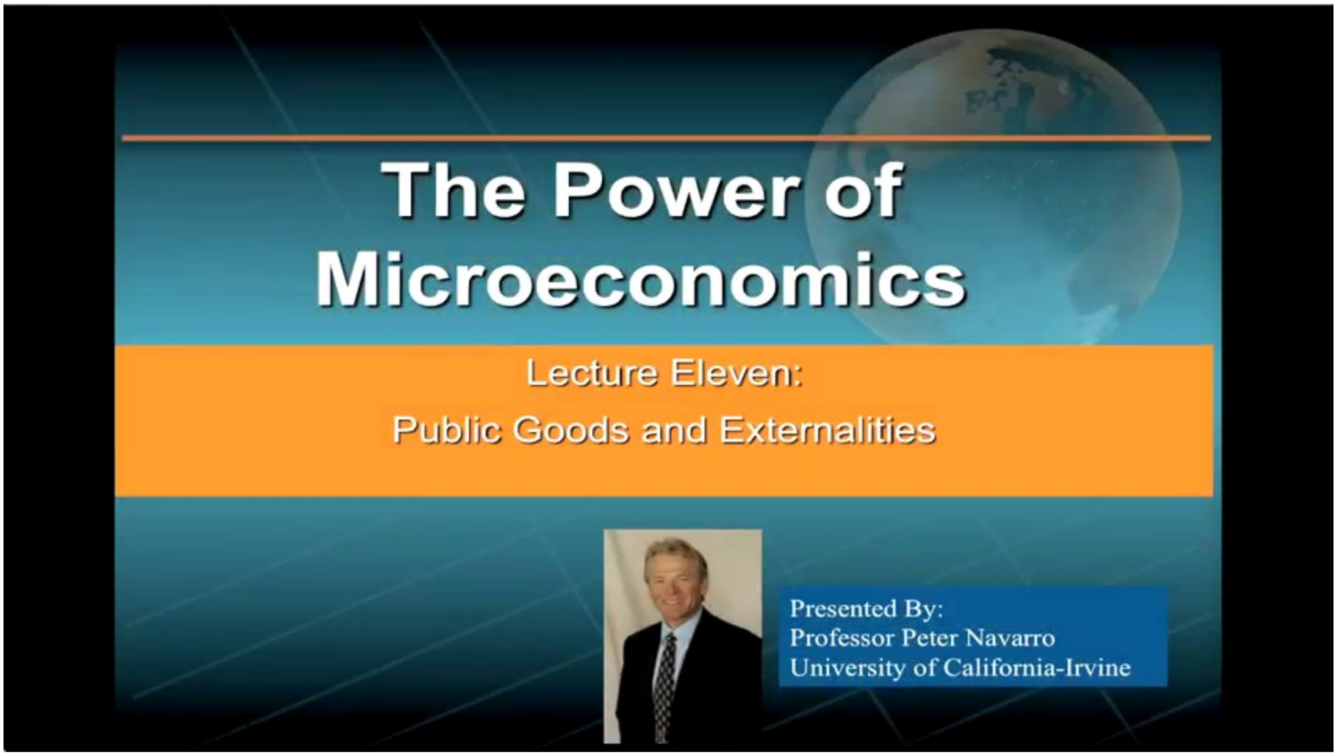
The Power of Microeconomics
Lecture Eleven:
Public Goods and Externalities
Presented By:
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Government Intervention into the Free Market

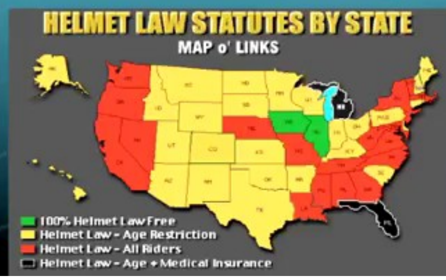
- Taxpayers heavily subsidize public education.
- The government imposes a wide range of health, safety, and environmental regulations on private companies.
- Government also takes a large tax bite out of your profits or wages.

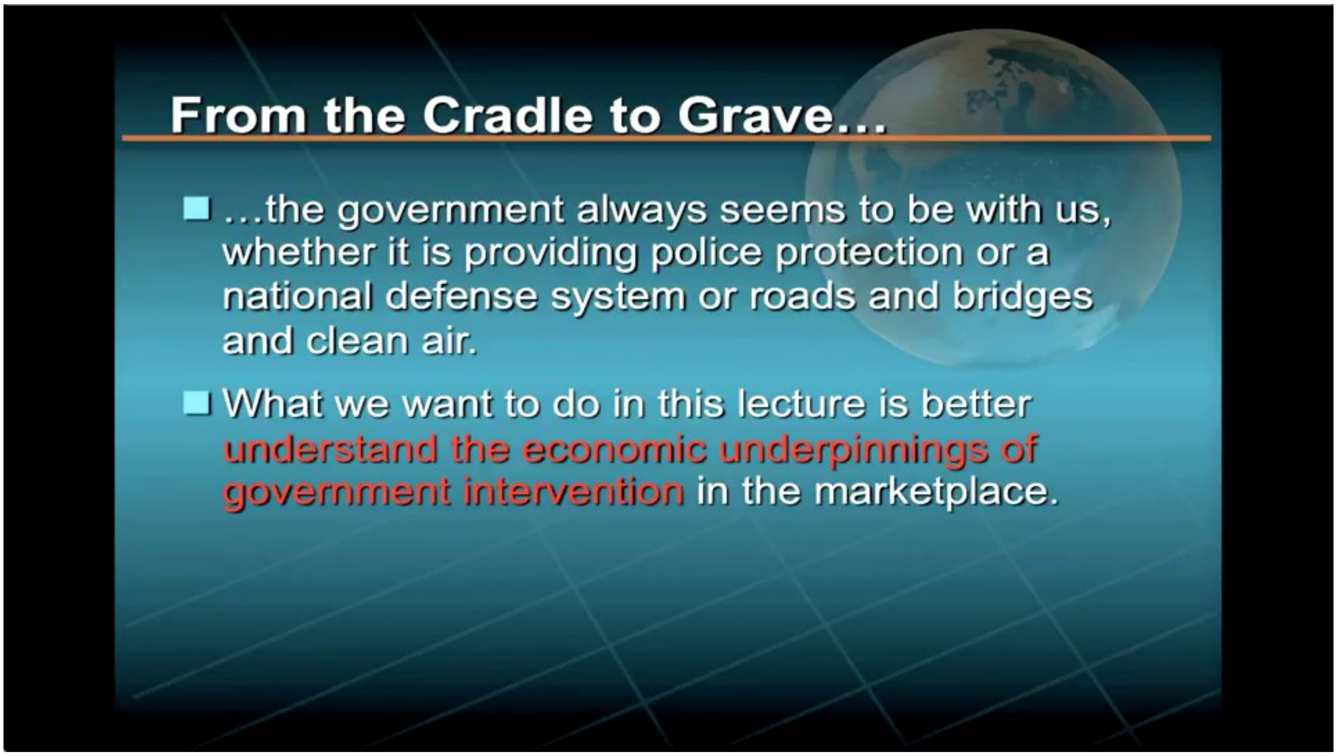
Why Markets Fail

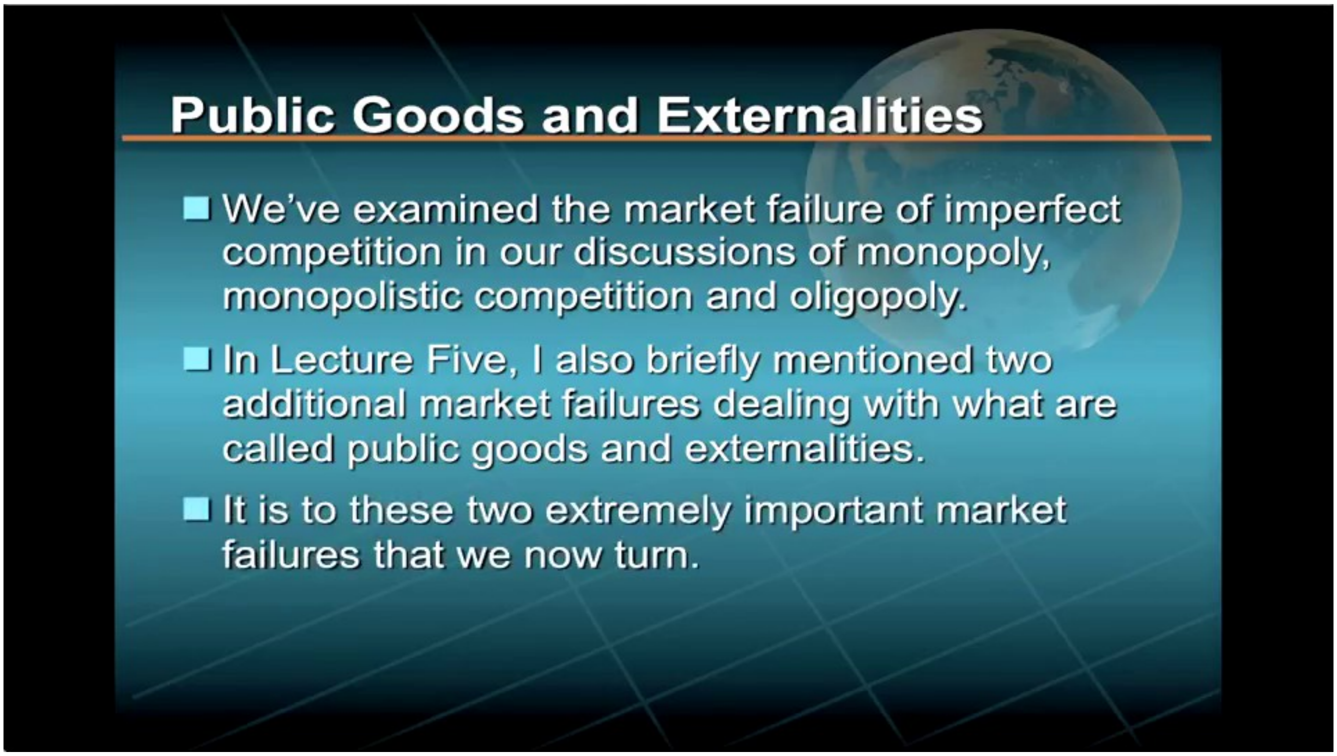
- We are going to return to some unfinished business from Lecture Five.
- In that lecture, we illustrated how perfect competition provides an efficient allocation of society's resources.
- When one or more of the assumptions of perfect competition are not met, we have what is called a market failure.

The Government's Role

- When you visit a restaurant or butcher shop, the government helps prevent food poisoning through meat inspections.
- As you jump into your car or onto your motorcycle, that seat belt or helmet you must wear has been mandated by the government as well.




From the Cradle to Grave…
…the government always seems to be with us, whether it is providing police protection or a national defense system or roads and bridges and clean air.
What we want to do in this lecture is better understand the economic underpinnings of government intervention in the marketplace.


Public Goods and Externalities
We've examined the market failure of imperfect competition in our discussions of monopoly, monopolistic competition and oligopoly.
In Lecture Five, I also briefly mentioned two additional market failures dealing with what are called public goods and externalities.
It is to these two extremely important market failures that we now turn.