Economics of Public Policy, Problem Set 1

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Task 1

(a)

Task 2

(a) Fisherman might not cooperate, Unclearness on how to finance lighthouses, Lying about marginal benefits

(b) The following applies

$$\sum MC_i = \sum MB_i$$
$$100 = (90 - Q) + (40 - Q)$$
$$100 = 130 - 2Q$$
$$Q = 15$$

Then the benefit of Zach would be $90 - 15 = 75$ and for Jacob $40 - 15 = 25$.

Task 3

Social Welfare System: Collect tax from the working people and give it to the non-working. Shortly after that no one will work.