## Review Questions

9.

In what ways do company investments in research and development create positive externalities?

10.

Will the demand for borrowing and investing in R&D be higher or lower if there are no external benefits?

11.

Why might private markets tend to provide too few incentives for the development of new technology?

12.

What can government do to encourage the development of new technology?

13.

What are the two key characteristics of public goods?

14.

Name two public goods and explain why they are public goods.

15.

What is the free rider problem?

16.

Explain why the federal government funds national defense.