

Econ 101 | Vignette D1

Memorial to Dobby

Hogsmeade residents were considering whether to install a memorial of Dobby, the heroic house elf, in their town. The individual marginal benefits for five recently graduated residents is below.

| Harry | Ron | Neville | Seamus | Dean |
|-------|-----|---------|--------|------|
| 34 | 29 | 24 | 19 | 14 |

Any of the five are able to enjoy the statue, regardless of whether they helped pay for it. And it costs 100 galleons per year to operate and maintain the memorial.

Question 1

How many of these five residents would visit the memorial if it were built?

Question 2

Dean proposes a referendum that would raise residents' taxes by 20 galleons per year, and puts it to a vote. If each of the five Hogsmeade citizens voted in their own private interests, would this referendum receive a majority vote?

Question 3

What is the marginal social benefit from the memorial?

Question 4

Would this referendum lead to an efficient outcome?

Question 5

Would the proposal receive a majority vote if the tax were 25 galleons?

Question 6

Neville proposes allowing a private company to build the memorial and charge residents a lump-sum fee to visit the memorial as they like. If the private company were allowed to set a single fee, would the company be able to cover its costs?