

ECO 225 - Class Discussions

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The Public Goods Game with a Twist

- All 16 students are given 1 extra credit point for next problem set.
- Students can either keep the point in a 'private fund' or save it in 'public fund'.
- If students put money in public fund, professor will double the amount in the fund and divide it equally amongst contributors and non-contributors.

The Public Goods Game with a Twist - Results

- Out of the 17 of you, 4 chose to save in the public fund.
- That is a public fund participation rate of 23.53%.
- Contributors get $\frac{4 \times 2}{17} = 0.47$ points.
- Non-contributors get $1 + \frac{4 \times 2}{17} = 1.47$ points.

Discussion Question on Public Goods

- We said that the private sector is likely to underprovide public goods due to the free-rider problem.
- Think of an example of a free rider problem in your hometown. Can you think of a way for your local government to overcome this problem?