



B.E. International Program

Faculty of Economics, Thammasat University



EE441: Economics of Public Expenditure, Semester 1/2015

Problem Set 2

Instructions

1) To complete the homework assignment, you are allowed to discuss the problems with your colleagues but have to write up solutions completely on your own.

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2) The date of submission is on Friday 25th September 2015 at the B.E. Office by 4.30 pm

3) If you have questions, please send me an e-mail at pwrasai@gmail.com

1) Which of the following do you consider pure public goods? Private goods? Why? Explain clearly.

a) Wilderness areas

b) Satellite television

c) Medical school education

d) Public television programs

2) Indicate whether each of the following statements is true, false, or uncertain, and justify your answer.

a) Efficient provision of a public good occurs at the level at which each member of society place the same value on the last unit

b) If a good is nonrival and excludable, it will never be produced by the private sector.

c) A road is nonrival because one person's use of it does not reduce another person's use of it.

d) Larger communities tend to consume greater quantities of a nonrival good than smaller communities

3) Suppose that there are only two fishermen, Zach and Jacob, who fish along a certain coast. They would each benefit if lighthouses were to build along the coast where they fish. The marginal cost of building each additional lighthouse is \$100. The marginal benefit to Zach of each additional lighthouse is $90 - Q$, and the marginal benefit to Jacob is $40 - Q$, where Q equals the number of lighthouses.

