

ECON 107

Quiz 6

This quiz will last 10 minutes.

1. (4 points) **Honor Statement:** Please read and sign the following statement:

I promise that my answers to this test are based on my own work without reference to any notes, books, or the assistance of any other person. I will also neither help others nor use a calculator or other electronic aid for calculation.

Name and Surname: _____

Student ID: _____

Signature: _____

2. (5 points) I have heard that some people think it worthwhile to die in order to kill a lot of other people. These people are not rational. Is this true or false? Most of the points will be for explaining your reasoning.

Solution 1 *False. I would agree that these people are not sensible, but if that is how they feel then so be it. It is not our job to judge other people's choices.*

Remark 2 *False is only worth one point. If they guess true, and then get the explanation more or less right they could get up to 4 points.*

If they appeal to "logic" in their answer they get nothing.

If they point out these people are "necessary" or something, then give them at most a point or two.

Grade harshly

3. (8 points total) About club goods.

- (a) (4 points) Define and give an example of a club good.

Solution 3 *A club good is a non-rival but excludable good. Some examples include patents, movies, books, toll roads, and etcetera.*

- (b) (4 points) Define and explain the two inefficiencies that are associated with club goods.

Solution 4 *These inefficiencies are **underprovision** and **exclusion**.*

Underprovision is the problem that the producer will capture far less than the total social surplus, thus they will not produce club goods as much as society needs them.

Exclusion is the problem that when they produce it only those who can pay their fee will consume it, however since it is non-rival everyone should consume it.

4. (3 points) Standard feedback questions:
- (a) Out of ten, my level of comprehension of the material covered this week is:
 - (b) My favorite topic of the week was:
 - (c) The topic I understood the least this week was: