

According to John Stossel,

“Every November, schoolchildren are taught about that wonderful day when Pilgrims and Native Americans shared the fruits of the harvest. "Isn't sharing wonderful?" say the teachers.

They miss the point.

Because of sharing, the first Thanksgiving in 1623 almost didn't happen.

The failure of Soviet communism is only the latest demonstration that freedom and property rights, not sharing, are essential to prosperity. The earliest European settlers in America had a dramatic demonstration of that lesson, but few people today know it.

When the Pilgrims first settled the Plymouth Colony, they organized their farm economy along communal lines. The goal was to share everything equally, work and produce.

They nearly all starved.

Why? What was the problem?

Free Riding

Read the article written by John Stossel and answer the following questions:

- 1. According to John Stossel, when the Pilgrims first settle the Plymouth colony how did they organize their farm economy? What were the results?**
- 2. Why were some Pilgrims so unproductive?**
- 3. Why did the Pilgrims find more success after they sectioned off the land and privatized the land?**
- 4. According to Stossel, why is private property the key to economic success?**

Free Riding results from public goods.

In terms of public goods, a free rider's individual _____ exceeds his/her portion of the _____.

Fill in the blanks with either

MPB **MPC** **MSB** **MSC**

As a result of free riders, many private individuals will not produce public goods. Why? Use marginal cost and benefits in your answer.

Because they cannot exclude others from using the good their MC will always exceed their MB

Types of goods

2 questions

What is the level of excludability? How easy can someone be prevented from using the good or service.

What is the level of consumption rivalry? If one person uses the good is it available for other to use?

	Excludable	Non- Excludable
	Private Goods	Common Goods
Rivalrous		
Non-Rivalrous	Club Goods	Public Goods

Lighthouses

Cable TV

Eagles tickets

Candy

Fish in international waters

The atmosphere

Street lights

Pair of pants

Roads

Excludable

Non- Excludable

Private Goods

Common Goods

Rivalrous

Cars, Houses, electronics, iPhones, food, clothing, or any product on the free market

Rationed by price

Fishing waters, grazing lands, Renewable resources

Rationed by quotas, licenses, seasons, laws, and regulations

Watch out for Tragedy of the Commons

Is privatizing the answer?

Club Goods

Public Goods

Non-Rivalrous

Cable TV, swimming pools, mail, movie theaters

Artificial scarcity because in many cases supply additional goods doesn't add to cost

Rationed by congestive pricing

Tornado warning sirens, lighthouses, street lights, national defense

Rationed by congestion price, patents and copyrights, laws

Watch out for Free Riders

**Think about your topic for the
core assignments.**

**What type of good is your
topic?**

The Tragedy of the Commons

Fishing Game

1. There are four contestants- each has a magnetic fishing pole.
2. The game is divided into two rounds

a. The first 30 seconds (spring)

Green jingle bells are worth \$50

Red jingle bells are worth \$100

Gold jingle bells are worth \$250

Silver bells are worth \$500

b. The second 30 seconds (Summer fish are bigger)

Green jingle bells are worth \$100

Red jingle bells are worth \$250

Gold jingle bells are worth \$500

Silver jingle bells are worth \$1000

Goal:

Each Fisherman wants to set the market by catching the most fish.

After each year fish will need to reproduce.

Fall same as summer

Silver \$5000

- 1. How did the self interest of each fisherman impact what fish were caught first?**
- 2. If there was a round 4 predict what would happen?**
- 3. Develop a solution to this problem either through the government or the free market**

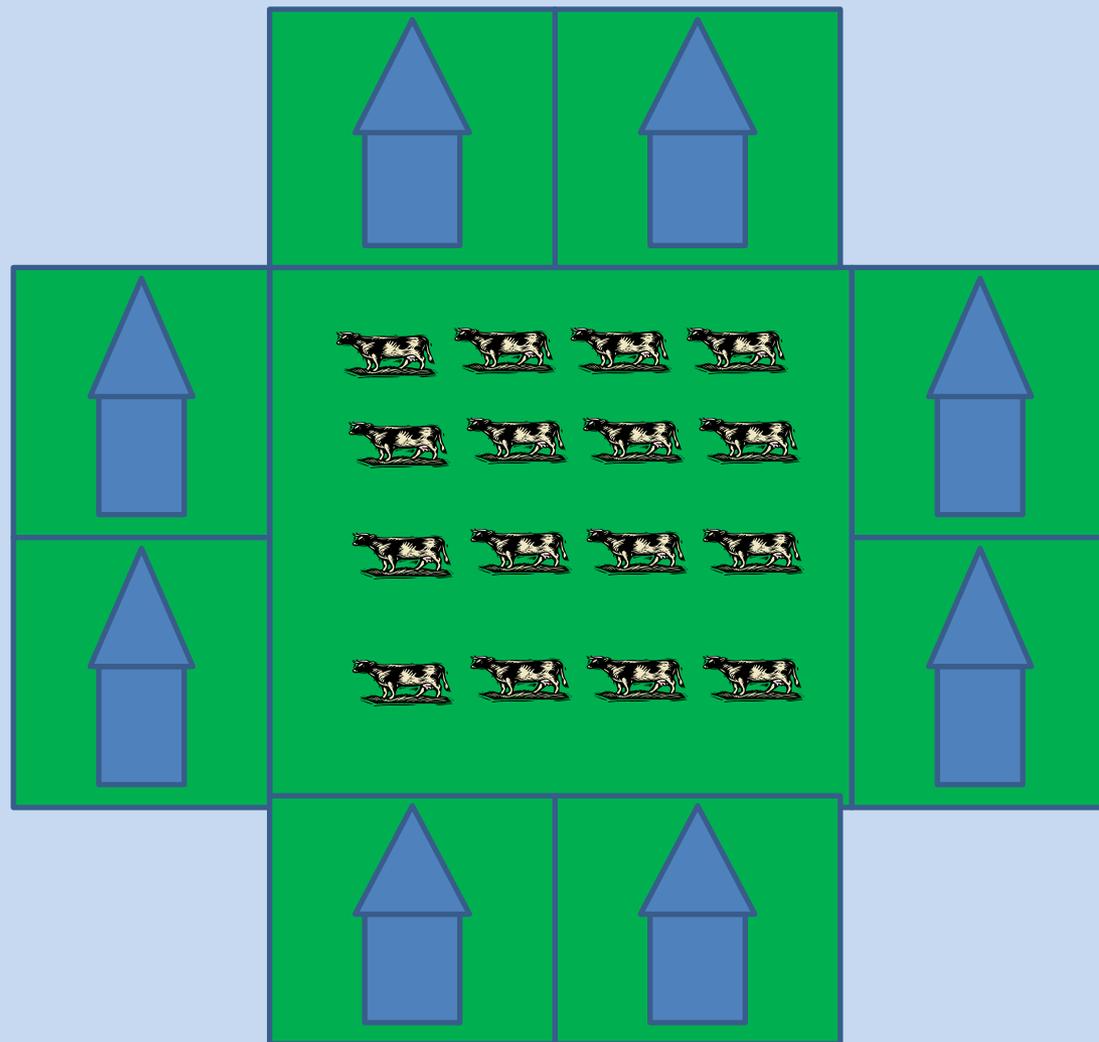
Tragedy of the Commons

Each farm has private land and shared common land.

The common land can support the grazing of 20 cows.

Each farmer agrees to have 2 cows graze on common land. Total= 16.

If a farmer defects and adds additional cows, it isn't a problem, but as more farmers do the same the common resource becomes increasingly depleted.



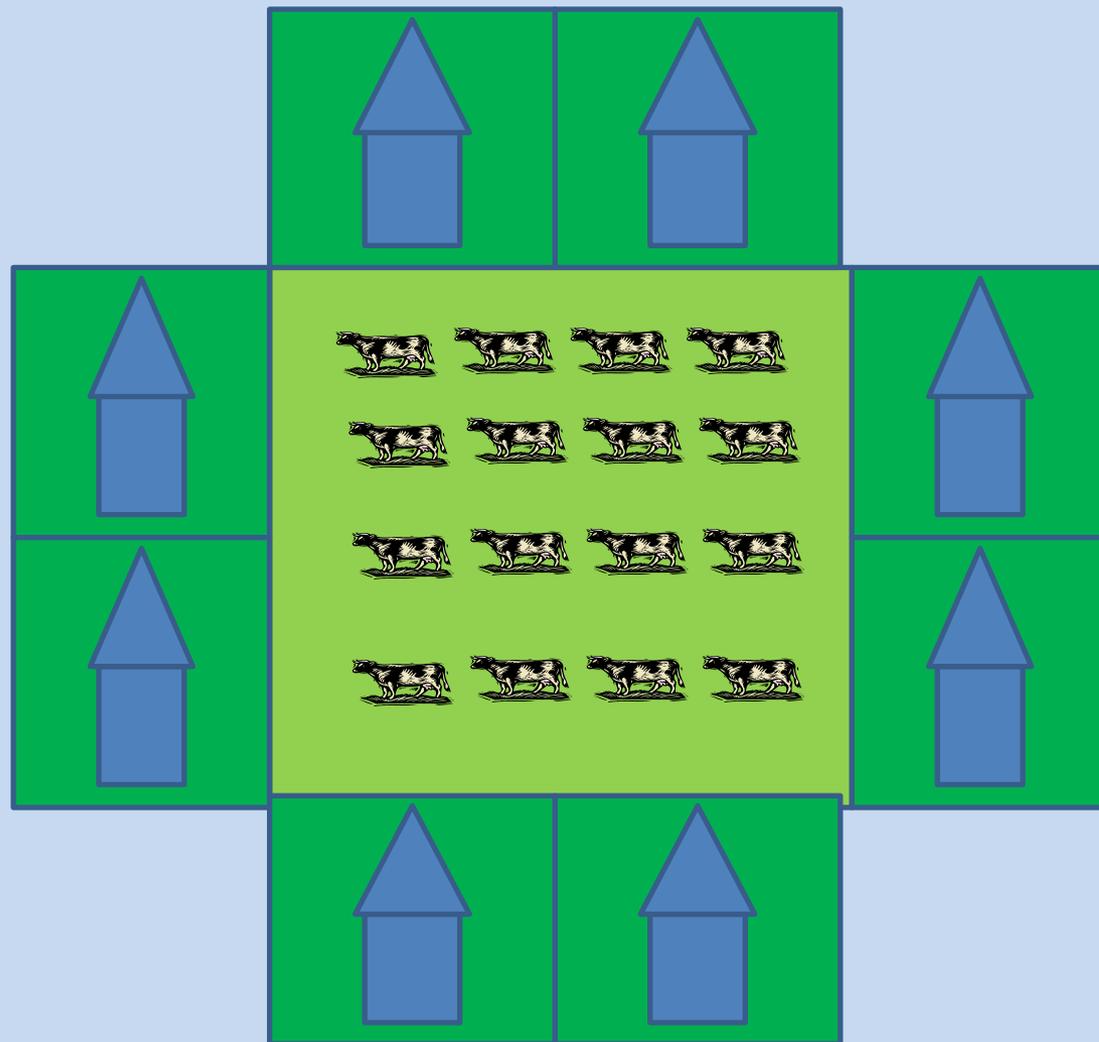
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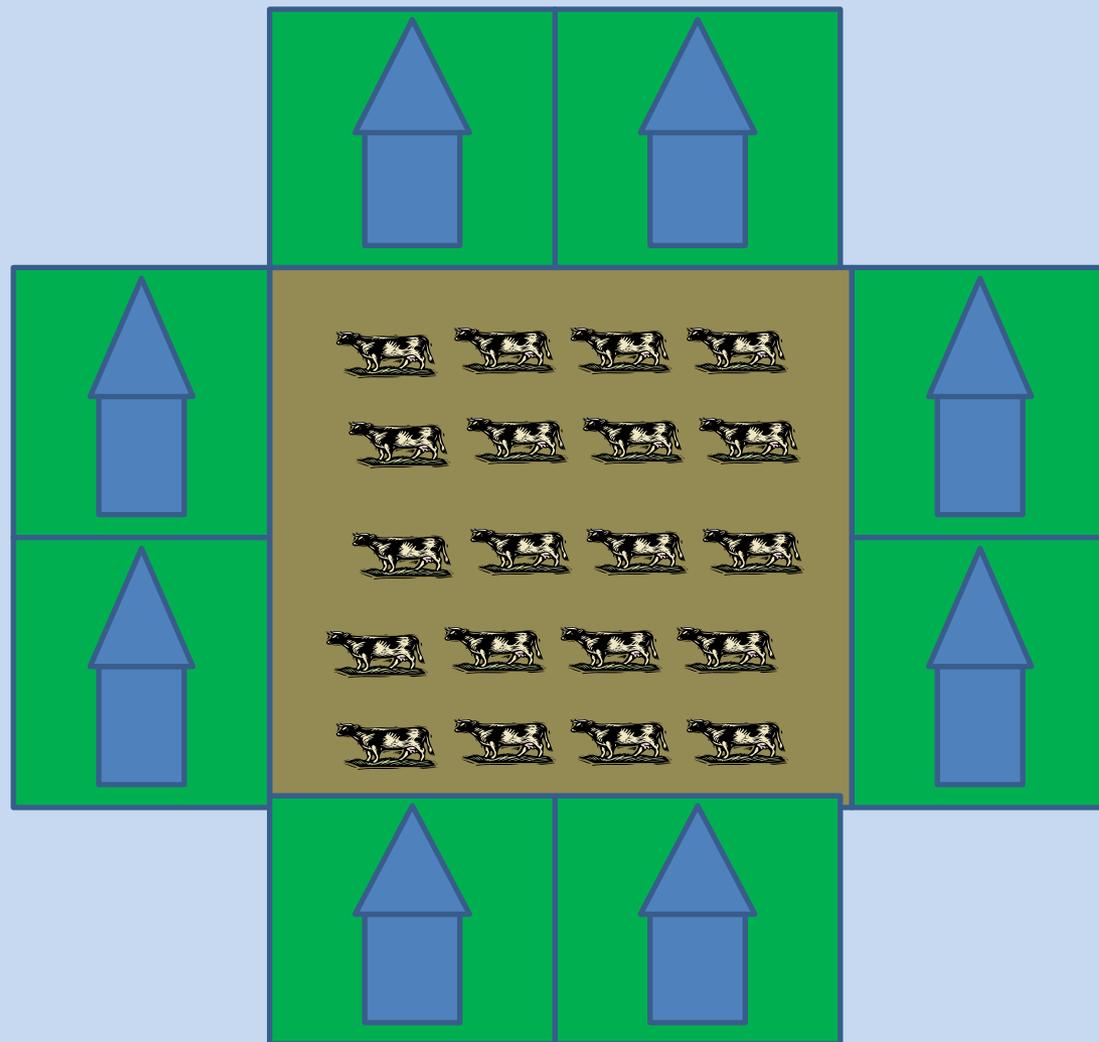
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1. Are people more or less likely to deplete their private property or public property faster? Why?

2. What does the tragedy of the commons tell us about human self-interest and natural resources and public goods?

3. What are some real-life examples?

Fishing, common fields, global warming, resource depletion, traffic

4. What are some methods of preventing resource depletion? Government or Private ownership?

5. Thinking in terms of cost-benefits why is the tragedy of the commons unavoidable?

It is rational (at least in the short run) to serve self-interest.

In terms of benefits, individuals who defect receive the entire private benefit. And in terms of cost, individuals share the cost with everybody else. This normally results in a net positive for the defector.

Marginal Private Benefit > Portion of shared Marginal Social Cost

Relate this to pollution by companies and/or nations without regulations

Spending in Congress

Deals that are too good to pass up in stores.

Final term aggressiveness

teacher copy numbers increasing before copy restrictions

Over use of resources

Selling on the stock market

Bank runs

Gasoline before a hurricane

Working with your group of three complete the following exercise:

- 1. Read the short description for each topic.**
- 2. Determine if there could be a government solution to the issue. Regulations, laws, quotas, restrictions, fines, etc. Come up with a solution but be prepared to discuss the costs and benefits of your idea.**
- 3. Determine if some level of privatizing will work. How could you accomplish this?**
- 4. What do you feel would work best. Explain your logic.**

Real-life Example	Government Solution	Free Market Solution	Best
Grand Banks Fisheries			
Bluefin Tuna			
Passenger Pigeons			
Ocean Garbage Gyres			
The atmosphere			
Gulf of Mexico Dead Zone			
Traffic Congestion			

Real-life Example	Government Solution	Free Market Solution	Best
Groundwater in Los Angeles			
Unregulated Logging			
Population Growth			
Hoarding Gasoline before a hurricane			
Great deals in stores			
Bank Runs			

Relate what you learned about the different types of goods and the T.O.C. to either scarcity, incentive, or competition.

In situations that are considered tragedy of the commons an individual's _____ exceeds their portion of their shared _____.