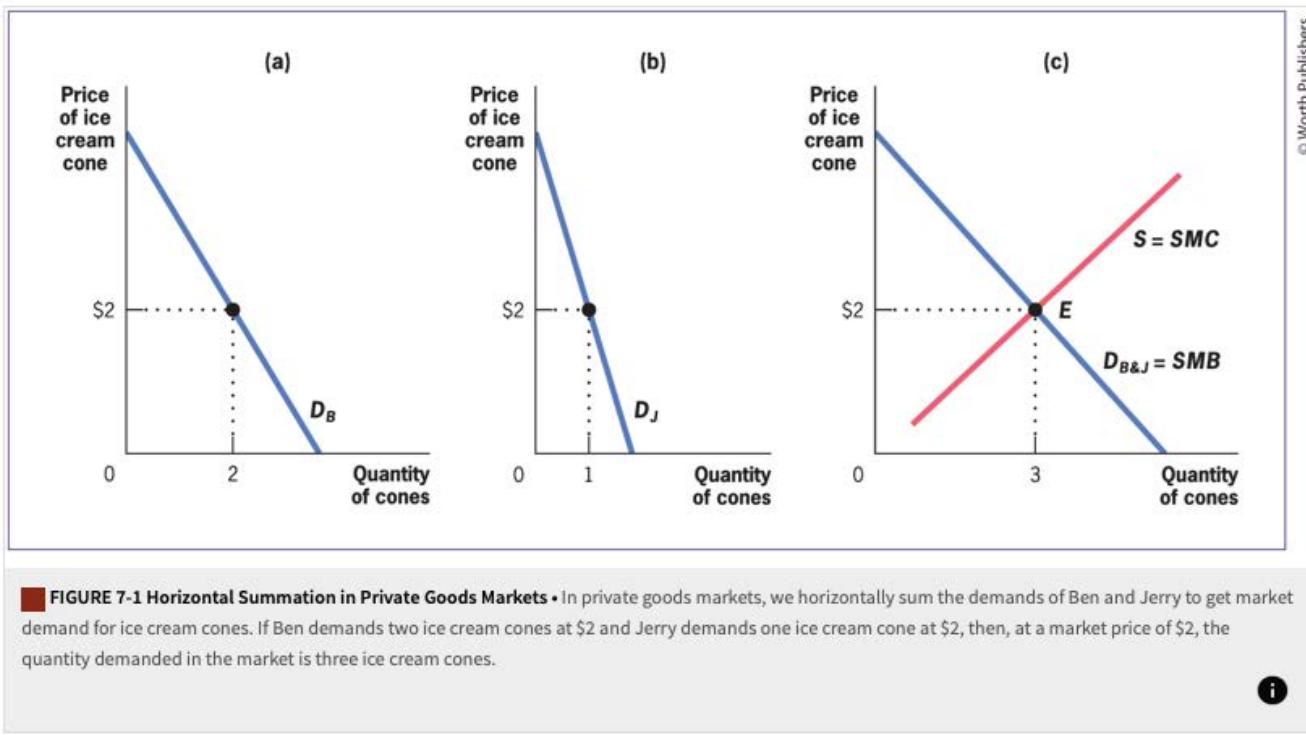


TABLE 7-1 Defining Pure and Impure Public Goods

		Is the Good Rival in Consumption?	
		(Yes)	(No)
Is the Good Excludable?	(Yes)	Private good (ice cream)	Impure public good (TV streaming)
	(No)	Impure public good (crowded city sidewalk)	Pure public good (national defense)

Whether a good is private or public depends on whether it is rival and excludable. Pure private goods such as ice cream are both rival and excludable. Pure public goods such as national defense are neither rival nor excludable. Goods that are rival but not excludable, and vice versa, are impure public goods.



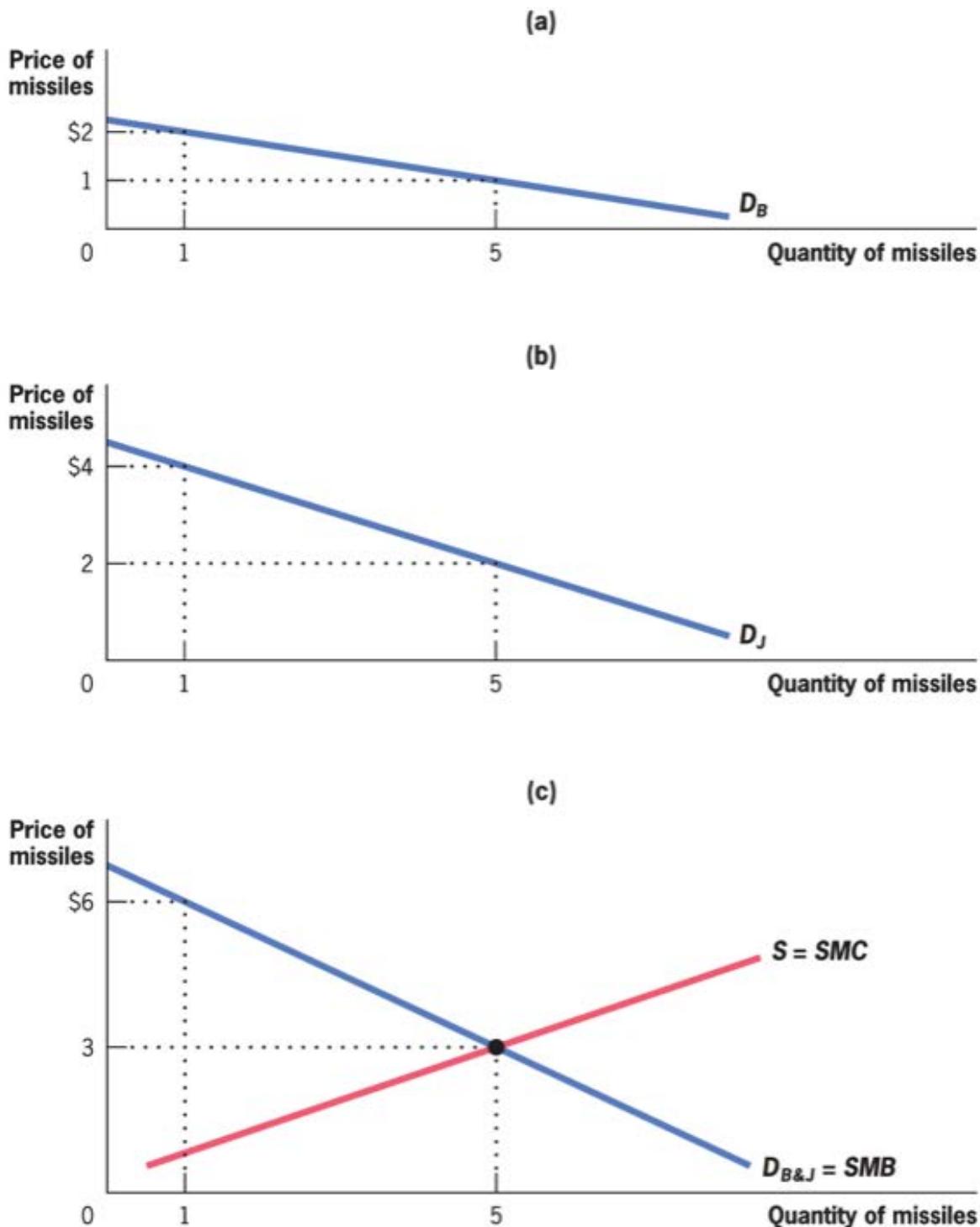


FIGURE 7-2 Vertical Summation in Public Goods Markets • For public goods, we vertically sum the demands of Ben and Jerry to get the social value of the public good. If Ben is willing to pay \$1 for the fifth missile and Jerry is willing to pay \$2 for the fifth missile, then society values that fifth missile at \$3. Given the private supply curve for missiles, the optimal number of missiles to produce is five, where social marginal benefit (\$3) equals social marginal cost (\$3).

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