**Voting**

Explain why markets inefficiently allocate public goods.

In the example below, explain how the tax scheme generates a PMC of $200 for each resident/taxpayer.

Residents A, B, C

price

$1000

$800

dC

$600

dB

$400

t = $200 = PMC

dA

$200 0

4

$100

2

3

1

guards/month

Explain why residents **A**, **B** and **C** have different most preferred outcomes given the tax scheme.

Explain why different quantities demanded across consumers is not a problem for a private good, but is definitely a problem for a public good.

In the [voting](http://milesfinney.net/433/handout/pdemand.pdf) example, the resident will vote to hire an additional guard if PMB ≥ PMC.

Explain the reasoning behind the above voting rule. How does the rule correspond to market decisions?

In a series of referenda for successive numbers of guards, use the [demand schedules](http://milesfinney.net/433/handout/pdemand.pdf) to fill in the table below.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Voters | 1st guard | 2nd guard | 3rd guard | 4th guard | 5th guard |
| A |   |   |   |   |   |
| B |   |   |   |   |   |
| C |   |   |   |   |   |
| D |   |   |   |   |   |
| E |   |   |   |   |   |
| outcome |   |   |   |   |   |

Explain why in allocating public goods through voting, free riding should no longer be an issue.

Explain why three guards is considered the political equilibrium.

Explain why, in the above example, for any pairwise election pitting three guards against any other quantity, three should always get more votes.

Explain why voter C above is considered the median voter.

Why is it that the median voter’s coalition always forms a majority?

Explain why the median voter should always be satisfied with the outcome of the political process assuming majority rule.

Explain why all other voters will wind up consuming “too much” or “too little” of the public good.

Should consumers normally find themselves consuming “too much” or “too little” of a private good?

Does the data shown in class on the political behavior of US senators support the median voter hypothesis? Explain.v