



Section 3: Guided Reading and Review

Providing Public Goods

A. As You Read

As you read Section 3, fill in two supporting facts or details under each main idea by answering each question.

Main Idea: In some situations, the free market does not efficiently distribute resources.

1. What is an example of something that self-interest would not motivate consumers to provide?

2. Why might this public good be unreasonable to expect from private providers?

Main Idea: Cost is an important factor in determining whether a good or service is produced as a public good.

3. How does this factor relate to the individual? _____

4. How does this factor relate to society? _____

Main Idea: A good or service can generate positive or negative side effects for people who do not pay for or produce them.

5. What is an example of a positive side effect? _____

6. What is an example of a negative side effect? _____

B. Reviewing Key Terms

Match the definitions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

Column I

- _____ 7. shared good or service for which it would be impractical to make consumers pay individually and to exclude nonpayers
- _____ 8. situation in which the free market does not distribute resources efficiently
- _____ 9. part of the economy that involves the transactions of the government
- _____ 10. part of the economy involving transactions of individuals and businesses
- _____ 11. economic side effect of a good or service that generates unintended benefits or costs to someone other than the person deciding how much to produce or consume
- _____ 12. someone who would not choose to pay for a certain good or service, but who can still reap the benefits of it anyway if it is a public good

Column II

- a. externality
- b. public sector
- c. market failure
- d. public good
- e. free rider
- f. private sector