



Public Goods

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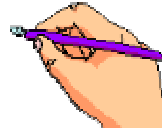


- ❖ **A good whose consumption by any one person does not reduce the amount available for others; it can be consumed concurrently by many individuals at the same time.**

Role Play

❖ **Two of you will be my assistant, which will be responsible for :**

- **Recording**
- **Calculating**
- **in-charge of the meeting**



❖ **The others will have \$100 to invest in two assets.**

Return of Asset A

❖ **Asset A pays a fixed return of 5 percent on your own investment.**

❖ **Return Rate: own investment** x 5%

➤ **Example: If you have invest \$100 in Asset A, your return is:**

$$\text{\$ } 100 \times 5\% = \text{\$ } 5$$

Return of Asset B

❖ 10% of the total investment of Asset B will be divided equally among all students in the class.

❖ **Return Rate:**

Total Investment of Asset B x 10% ÷ **No. of students in class**

Return of Asset B

❖ **Example 1: Assume that there is 40 students in our class, each of them invest \$100 in Asset B, then the return of each of them is :**

$$\$100 \times 40 \times 10\% \div 40 = \$10$$

❖ **Example 2: Assume that there is 40 students in our class, only 10 of them invest \$100 in Asset B, then the return of each of them is :**

$$\$100 \times 10 \times 10\% \div 40 = \$2.5$$

Reward System

❖ **Please divide your money to invest between the assets in any way you choose.**



❖ **At the end of each round, students who can earn the top three highest returns can have a prize.**

將投資決定表分派給每位同學。

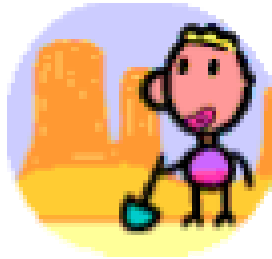
Rules of the First Round

- ❖ **You will have 1 minute to make your decision.**
- ❖ **Discussion is prohibited.**
- ❖ **Write down your decision on the Investment Decision Slip.**
- ❖ **Don't need to write your name down the Investment Decision Slip.**

向同學展示投資決定表。

After 1 minute

- ❖ **Give your Investment Decision Slip to the classmate sits next to you.**
- ❖ **Ask him/her to calculate the return of your investment in Asset A and write it down on your Profit Record Slip.**



❖ Pass all your Investment Decision Slips to me in order to calculate how much the whole class have invested in Asset B and the return each one of you can get.

❖ Record your return from Asset B on their Profit Record Slips and calculate their own total returns.



Rules of the Second Round

❖ **You will have another investment**
Everything is the same, but you
can communicate with others this
time.

❖ **You will have 5 minutes for your**
discussion.




派發另一張投資決定單和利潤記錄表給每一位同學。

After 5 minutes

- ❖ **Give your Investment Decision Slip to the classmate sits next to you.**
- ❖ **Ask him/her to calculate the return of your investment in Asset A and write it down on your Profit Record Slip.**





❖ Pass all your Investment Decision Slips to me in order to calculate how much the whole class have invested in Asset B and the return each one of you can get.

❖ Record your return from Asset B on their Profit Record Slips and calculate their own total returns.

1. 將表一投影出來或放大張貼在黑/白板上。
2. 助手協助記錄及計算的工作。
3. 助手可以隨意將各數據記錄在表一中的第一欄內，無需記下投資者的姓名。

Discussion

❖ **Who put all your money to invest in Asset A in the first round?**

❖ **Why?**

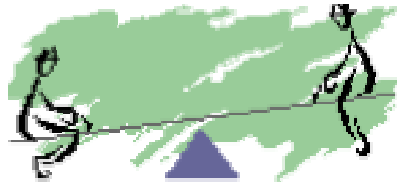
❖ **Who put all your money to invest in Asset B in the first round?**

❖ **Why?**



Discussion

- ❖ **Who invested both assets?**
- ❖ **Why?**
- ❖ **How's the distribution of your investment?**



Discussion



- ❖ **In the meeting, what did you discuss?**
- ❖ **Any agreement about the investment decision was made?**
- ❖ **If yes, what is your agreement and why did you make this agreement?**
- ❖ **Did everyone commit to the agreement?**

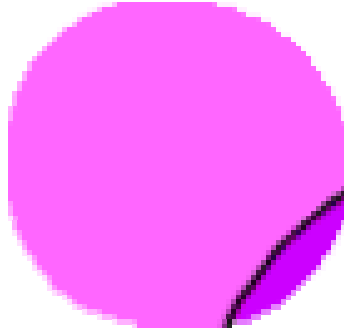
Discussion

- ❖ **What is the optimal investment decision for the class?**
- ❖ **Why couldn't the class reach this optimal investment decision?**



Free Rider

❖ **a person who consumes a good without paying for it.**



Discussion



- ❖ **Are there any differences between the features of investing in Asset B with that of paying for a public good.**

