

Name \_\_\_\_\_

### Chapter 3.5: The Role of Government in a Free Enterprise Economy

1. A(n) \_\_\_\_\_ is an agreement between 2 or more people to do something.
2. When use of a good takes away from another person it is called a \_\_\_\_\_ good.
3. A(n) \_\_\_\_\_ good is a good in which the use of it does not take away from someone else using it.
4. Tell if the following are a private good or a public good:
  1. pair of shoes-
  2. sunshine-
  3. a pen-
  4. a pizza-
  5. national defense-
5. What is the difference between excludable public goods and nonexcludable public goods?
6. How does the political process affect nonexcludable public goods?
7. Why doesn't a business firm produce a nonexcludable public good?
8. An adverse side effect of an act that is felt by others is called a(n) \_\_\_\_\_ externality.
9. Give an example of the above answer and it must be different than the notes.
10. A beneficial side effect of an action that is felt by others in called a(n) \_\_\_\_\_ externality.
11. Give an example of the above answer and it must be different than the notes.
12. Give an example of a free rider.