ECO 101: Introduction to Microeconomics
Problem Set #3
Lectures 5 & 6
Due Date: 20 October, 5:00pm
Total Points: 30

NOTE: All problem sets must be hand-written (not typed) to receive full credit. Typed answers will receive a zero. Round all answers that are decimals to two decimal places.

Problem 1: A Public Goods Problem [9 points]

Suppose that there are two individuals, Steven and Fiona, who each gain a benefit from a public good (Q) according to the following Marginal Benefit (MB) curves:

$$MB_S = 10 - Q$$
$$MB_F = 16 - 2Q$$

The Marginal Cost of the Public Good is $4 each (MC = $4).