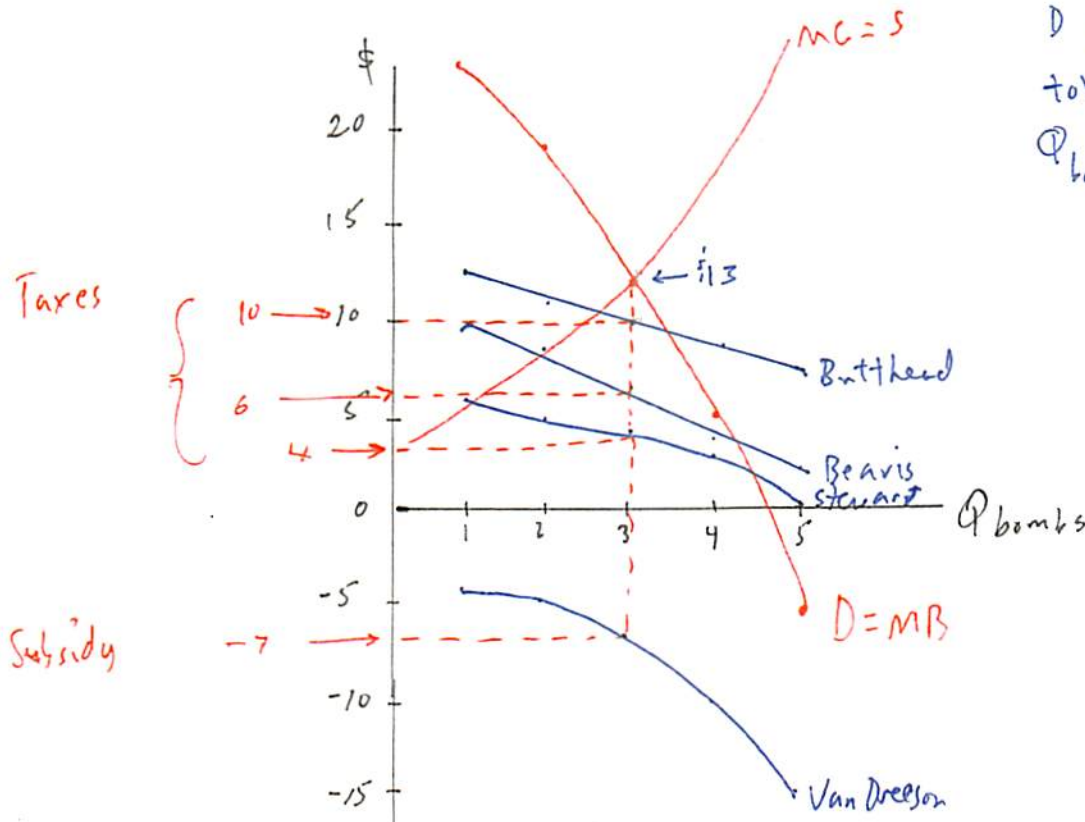


# ECON 317 LINDAHL PRICES example

Optimal quantity of a public good:

Consider nuclear weapons (measured in bombs).



We sum all the individuals' D curves to arrive at the total MB for different  $Q$  bombs.

Where this crosses the  $S=MC$  curve, gives us the optimal  $Q$  bombs.

Then allocate the total cost for that unit, \$13, to all the people, according to their willingness to pay.

=> Lindahl prices.

Q	MB Beaver	MB Butthead	MB Stewart	MB Van Dreesen	Total Demand
1	10	12	6	-4	24
2	8	11	5	-5	19
3	6	10	4	-7	13
4	4	9	3	-10	6
5	2	8	0	-15	-5