- Since public goods are free of charge, individuals do not purchase public goods; their demand is not revealed by their actions. GVT must guess how much people are willing to pay. Through tax, individuals have an incentive to conceal their willingness to pay.
  - Self interested citizens ➔ exaggerate their willingness to pay

- **Excludability and the cost of pricing:**
  - The public/private-good differentiation is seldom clear-cut since many good are somewhat private in nature, with the degree of publicness in large part determined by available technology.
  - P. ROMER ➔ new categorization of goods depending on their degree of publicness / privateness by:
    - their degree of rivalry in consumption
    - their degree of excludability in pricing

- **Informational & Moral hazard Problems:**
  - The perfectly competitive model ➔ assumes that individuals have perfect information about what they are buying ≠ Real-world problems often involve deception, cheating, inaccurate information.
  - Adverse selection problem ➔ a problem that occurs when buyers and sellers have different amounts of information about the good for sale and use that information to the detriment of other.
  - Moral Hazard problem ➔ a problem that arises when people don’t have to bear the negative consequences of their actions.

  **Signaling and screening:**
  - Signaling ➔ an action taken by an informed party that reveals information to an uninformed party that offers the false signal that caused the adverse selection problem in the first place.
  - Screening ➔ an action taken by the uninformed party that includes the informed party to reveal the information.

- **Policies to deal with informational problems:**
  - The Federal Trade Commission
  - The Consumer Product Safety Commission
  - The Occupational Safety and Health Administration
  - The Food and Drug Administration
  - the state licensing boards

  The commission and their regulations introduce restrictions that can slow down the economic process and prevent trades that people want to make.

- MKT in information ➔ Information is valuable and is an economic product in its own right.