1.

|  |  |  |  |
| --- | --- | --- | --- |
| **Quantity of the public good** | **Willingness to pay of person 1** | **Willingness to pay of person 2** | **Society's willingness to pay** |
| 1 | 65 | 35 |  |
| 2 | 55 | 25 |  |
| 3 | 45 | 15 |  |
| 4 | 35 | 5 |  |
| 5 | 20 | 0 |  |

The table above shows the willingness to pay for various units of a public good for the only two individuals in a society. The willingness to pay is the willingness to pay per unit of the public good. For example, person 1 is willing to pay $55 per unit of the public good for two units. To put it another way, if the price to person 1 of two units of the public good is $55, then person 1 would want to purchase 2 units of the public good. (I f you were to plot person 1’s willingness to pay for the public good with quantity on the horizontal axis and willingness to pay on the vertical axis, it would look like a demand curve, and that is exactly what it is.) Fill in the column “Society’s willingness to pay.” Then draw a graph of Society’s demand for the public good.