

The Government's Role:

When should it step in?

Governments may be able to increase prosperity with certain laws and policies.

Prohibiting harmful behavior

- Enacting laws against violence and theft

Providing public goods

- These are goods or services where people benefit without having to pay for it.
- Examples include national defense, public parks.

Addressing externalities

- Negative externalities occur when an individual's actions affect others without the individual having to pay for it.
- Examples include pollution and traffic congestion.

How can the government discourage harmful behavior and negative externalities?

In addition to punishing destructive or negative actions, the government can create prosperity by changing incentives.

- Carbon taxes decrease pollution by encouraging businesses to find green energy alternatives.
- Assigning and enforcing property rights over environmental resources may encourage conservation and stewardship.

DISCUSSION

1. What are some examples of public goods?
2. Why can't governments just ban all pollution?
3. How can property rights help preserve the environment?

