

Microeconomics: questions on public sector

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In my own opinion I think that everybody should pay for their own goods just like private goods. It really is not fair for people who spend their money to pay for them but in other hand how can we manage to operate the people who pay with the ones who doesn't. 2.) The government now spends over \$500 billion a year on Social Security benefits. Why don't we leave it to individuals to save for their own retirement?

The idea of the transfer payments is to take some of the income away from those who have too much and give it to those whom the market has left with too little. 3.) If smoking generates external costs, why shouldn't smoking simply be outlawed? How about cars that pollute?? The smoker's pleasure is offset in part by non-smokers displeasure. There is where externalities come in play. This refers to all costs or benefits of a market activity borne by a third party, by someone other than the immediate producer or consumer.

As a consequence the market will fail to produce the right mix of output. The market will under produce goods that yield external benefits and over produce those that generate external costs. Externalities also exist in production. The cost of pollution is not reflected in the price of electricity, the firm will tend to produce more pollution that is socially desirable. In my opinion to change this the government or someone in charge has to change market outcomes.