

Public goods games and torts

- Each student receives four cards, two red (hearts and diamonds) and two black cards (clubs and spades).
- Each student will be asked to play two cards by putting them on top of a stack held by the instructor.
- Students do not see what all others have contributed, but they may see the top card from the person who contributed before them.
- Students “earn” four dollars for each of their own red cards that they keep.
- They also earn a dollar for each red card placed in the stack, by themselves or by anyone else.

In other words, a student's dollar earnings are calculated this way

$$\text{earnings} = \$4 \times (\text{number red cards kept by the student}) + \$1 \times (\text{number of red cards played by all})$$

1. Say there are ten students. How many of each colour will each student keep and contribute? (Record your predictions in the following table.)

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Student	keep black	keep red	contibute black	contribute red	
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
Totals					

2. Explain why you think this is a reasonable guess bout student behaviour.

3. In the final column of the table above calculate the payoff for each student
 4. What is the maximum that each student could receive?

 5. What is the minimum that each student could receive?

 6. What is the average payoff?

 7. Comment: what do you think of the outcome you came up with? Would the experiment work out the same way if done in a class of nursing students? A class of Commerce students? Is it a good outcome
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8. There is a person who owns a swimming pool. The neighbours' children may sneak in and use it. They may also drown. estimate dollar values for the

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costs that could be involved for all parties.

9. Make up a payoff matrix for a legal regime of strict liability with contributory negligence.

Table 6: Strict liability with contributory negligence

		Pool owner	
		No Care	Due Care
Neighbour	No Care		
	Due Care		