

HW10 Sample Essay

The number of participants in the collective grade growth fund was 41 with a minimum donation of 0 cents and a maximum of 200 cents. The average donation was 89 cents resulting in a return per participant (RPP) of 1.78 cents.

The fund related to the tragedy of the commons in the sense that those that donated 200 cents was for the common good in hopes that everyone in class would do the same and everyone would get the maximum number of points. However, because some people chose to donate 0 cents for selfish reasons of getting ahead of other classmates demonstrated tragedy of the commons.

Information externality played a role in the sense that the day before the assignment was due everyone was given the chance to discuss their donations with 8 different people in the class. Those that weren't sure of their donations got a chance to look to the 'experts' (or other classmates that had an opinion) and learn from them. This is information externality because students could have simply sided with classmates thinking that they were the 'experts'.

Coercive externality may have played a role in the performance in almost the same way that information externality did. During the mock assignment done in class, classmates with similar opinions in what to donate could have gotten together and worked to persuade the 'minorities'. For example, a vocal group about donating 200 cents so that everyone in class can reap the benefits may make those donating 0 cents look selfish and therefore choose to do 200 cents. However, this would only persuade those in the mock assignment and not necessarily change the actual donation since those were kept private.

Coordination externality might have played a role in the grade growth fund's performance in the sense that the most benefits of the class would occur if each student donated 200 cents such that the benefits would occur at a collective level. Those that donated 200 cents could have held this mentality.

Market externality may have played a role since the benefits of a donation

depends on the donations from other students. For example, donating 0 cents is only beneficial if other students donate more cents in the same sense that donating 200 cents is only beneficial if other students do as well.