

YouTube title: “WKUK Space Potatoes” <http://www.youtube.com/watch?v=mv8mV5X0MR8>

Video Length: 3:36 minutes

Chapter 4: The Role of Government, p. 70

Topic: Market Failure, p. 71

Key Terms: Externalities, Negative externalities, social demand, market demand, external costs

Learning Objective 1: Analyze the nature and causes of market failure.

Summary

In this video, an astronaut named Barry subjects his co-workers to various refreshments while waiting for their space shuttle to take off. Because of the shuttle’s orientation on the launch pad, Barry’s co-workers are sitting below him. This causes any refreshments Barry consumes to spill and fall onto them.

Economic Application

This video is an example of negative externalities. Barry enjoys his refreshments, but his coworkers suffer greatly as a result. Schiller states that the term externality “refers to all costs or benefits of a market activity borne by a third party, that is, by someone other than the immediate producer or consumer.” Barry is the immediate consumer, and his coworkers bear the spillover costs of his activity.

Multiple-Choice Question

From the perspective of his coworkers, which phrase best describes Barry’s consumption of refreshments while waiting for the space shuttle to launch?

- a) Positive externality
- b) Free rider
- c) Negative externality
- d) External benefit
- e) Social cost

Discussion Question

Why does Barry insist on opening more refreshments instead of stopping like his coworkers demand?