

Name:

### **Five Minute Exercise**

*Efficiency with a Positive Network Externality*

**Given:**

The private willingness to pay for a good is:  $W2P = 200 - Q$

The supply curve is horizontal at a MC of \$100

The good produces a marginal external benefit given by:  $MB_{ext} = Q/3$

**Determine:**

The subsidy needed per unit in order to reach the efficient Q.

Answer: