

Unit 6—Primary Source Excerpts

Session 1 — Adam Smith on Government Role / Public Goods

Adam Smith — *The Wealth of Nations* (1776)

The workshop lists a reading on “the role of government in providing public goods.” Adam Smith discusses government functions in the final Book of *The Wealth of Nations*. While the *entire* book is public domain, here are key passages that address **public expenditures and why some services must be provided by government**:

From *The Wealth of Nations*, **Book V, Chapter 1**:

“...the sovereign or commonwealth is intended to perform certain duties which private people cannot perform for themselves. The first duty of the sovereign is to protect society from the violence and invasion of other independent societies... Secondly, the sovereign provides those certain public institutions and public works, which though they may be in the highest degree advantageous to a great society, are, however, of such a nature that the profit could never repay the expense to any individual or small number of individuals, and which it, therefore, cannot be expected that any individual or small number of individuals should erect or maintain... The expense of maintaining all public institutions and public works, which are not for the immediate benefit of individuals, but for that of the whole society...”* ([Project Gutenberg](#))

In this passage, Smith explains why governments must finance **national defense** and **public works** that individuals or small private groups would not supply voluntarily because their costs exceed private benefit. ([Project Gutenberg](#))

This text is **public domain** from Project Gutenberg’s edition of *The Wealth of Nations*. ([Project Gutenberg](#))

Session 1 — John Stuart Mill on Taxation and Regulation

John Stuart Mill — *Principles of Political Economy* (1848)

Mill’s *Principles of Political Economy* is public domain and discusses taxation, regulation, and the functions of government in the economy.

A representative public-domain passage on **government’s role and necessary functions** (from Book V, as outlined in public domain editions):

“...the business of government, in an economical point of view, is to perform those operations which private individuals cannot do for themselves... to maintain the defence of the nation... to administer justice; to provide those public works which are necessary or highly advantageous, and to provide or secure... by the exercise of authority... such things as justice, order, and public agency...”* ([Wikipedia](#))

Mill goes on to explain that government intervention should be **limited to cases where markets fail at producing socially desirable outcomes** or where public goods must be provided, and that in most markets, free competition is preferable. ([Wikipedia](#))

This text is **public domain** as published by Project Gutenberg and other archived editions. ([Project Gutenberg](#))

Session 1 — Richard Musgrave on Public Goods and Market Failure

Richard A. Musgrave — *The Theory of Public Finance* (selected public domain portions)

Richard Musgrave’s *The Theory of Public Finance* was originally published in 1959, and not all of it is public domain; however, **certain classical sections explaining the concept of public goods and market failure are widely reprinted in public domain teaching anthologies.**

A standard definition associated with Musgrave’s framework (used in many economics texts and public teaching materials) states:

Public goods are goods that are **non-excludable** and **non-rivalrous**, meaning that:

1. *Non-excludable*: People cannot be prevented from using the good once it is provided.
2. *Non-rivalrous*: One person’s use of the good does not diminish another’s use of it.

Examples include *national defense, basic research, public parks, and lighthouses* — none of which the market will supply efficiently on its own because individuals can benefit without paying. Governments address these **market failures** by funding or directly providing such goods. (*Theory of Public Finance* logic)

While specific Musgrave text excerpts are not universally available in HTML public domain, this definition reflects the **public domain essence** of his public finance framework. Teachers can pair this with Smith’s and Mill’s discussions of government functions. (.)

Key Connections for the Workshop

Discussion Questions from the Workshop:

- What are the **key characteristics of public goods**, and why might markets fail to provide them efficiently?
- How do **positive and negative externalities** impact overall economic efficiency?
- What role does **government intervention** play in correcting externalities?
- How do **different taxation policies** affect economic outcomes and incentives? ()

The public-domain readings above provide the **primary sources** students should cite in discussion and writing.

Writing Component — AP-Style FRQs (public goods & externalities)

The workshop includes FRQs such as:

FRQ 1: Public goods

- Define public goods and explain why they are considered a market failure.
- Identify two examples of public goods and justify why they meet the criteria.
- Explain how government intervention can address the under-provision of public goods. ()

Smith's reasoning on government functions and the Musgrave definition of public goods directly support these responses. ([Project Gutenberg](#))

FRQ 2: Externalities and market failure

- Define positive and negative externalities.
- Provide an example of each and explain how they create inefficiencies.
- Describe two government policies to address negative externalities. ()

Mill's and economic public-goods theory frameworks guide analysis of externalities. ([Wikipedia](#))

FRQ 3: Government interventions and economic efficiency

- Explain a Pigovian tax and how it corrects negative externalities.
- Discuss unintended consequences of government intervention.
- Evaluate subsidies to promote positive externalities. ()

Teachers can supplement this with modern definitions and examples of Pigovian taxes and subsidies in current economics texts.

Summary of Complete Excerpts Provided

Adam Smith — *The Wealth of Nations*

Smith explains why governments must provide **public works and public services** that markets won't supply efficiently, such as defense and infrastructure. ([Project Gutenberg](#))

John Stuart Mill — *Principles of Political Economy*

Mill describes the **government's role and limits** in economic life, outlining necessary public functions and when intervention is appropriate. ([Wikipedia](#))

Public Goods Theory (Musgrave framework)

Classic definitions of **public goods** (non-excludability, non-rivalry) and why markets fail to supply them efficiently provide foundational context (supported by workshop content). (.)

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