

1.

1 non excludable

2 non rivalrous

Example:

-Judiciary

-Police

-Flood barrier

1. Define the term "public good and give an example." (4 marks/4 minutes)

2.

1. Public+ merit goods etc

2. monopoly

3. externalities (4)

4. asymmetric information

2. List any 4 examples of market failure. (2 minutes/2 minutes)

3. Cigarettes are inelastic and consumption can fall but not significantly e.g. $ped < 1$

3 Using your knowledge of **elasticity** explain why the use of taxation might have a limited effect on consumption of cigarettes. (3 marks/ 6 minutes)

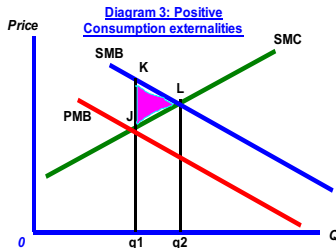
4. Overconsumption of common access resources may result in damage to the environment and the loss of resources for future generations i.e sustainability:

1. Depleted fish stocks - overfishing in a lake or offshore
2. Deforestation causes soil erosion and has a significant climate impact
3. Waste/recycling e.g. plastic waste has a key impact on our environment and not controlling plastic waste disposal waterways and oceans are under threat

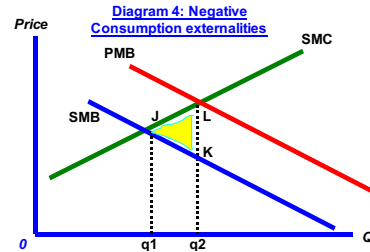
4. What do 'common pool resources' and 'sustainable development' have in common? (4 marks/8 minutes)

5. Draw a positive externality of consumption and a negative externality of consumption and notice the differences between the two diagrams.

N.B. When you see the answer to the question below identify how you can improve the labels on both diagrams by adding an additional label.



- Improved labels:
1. $S_{mc}=p_{mc}$
 2. Q society
 3. Q market
 4. Jkl = welfare loss
 5. Price = r cost + benefits



6. Answerability focus:

Discuss whether there should always be direct provision of public goods by government. N16/3/ECONO/HP1 (15 Marks).

Task: make a list of bullet points that will be included in your paragraphs in answering this essay. Note: to answer this question you would need to define/explain direct provision and public goods. This question helps you to focus on the need to 'answer' the question.

Answer: YES 'always' direct provision

Answer: NOT 'always' direct provision

YES

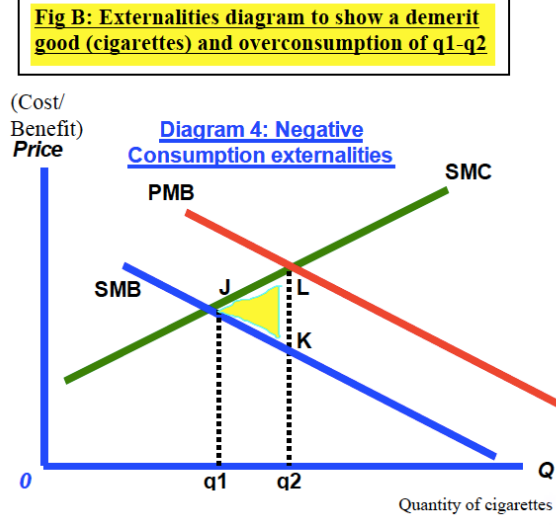
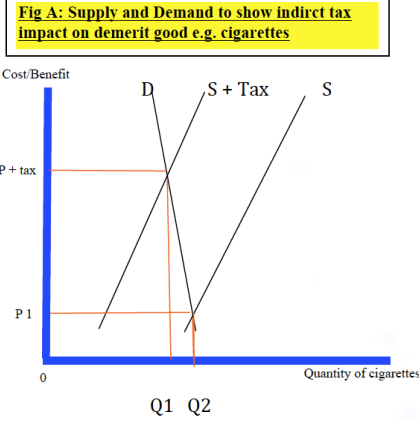
- Make distinction between public and private goods
- Direct provision is best method of providing public goods
- Market can only provide 'quasi public goods such as motorways. Some pure public goods cannot be provided by market
- Government can provide public goods and because of large scale provision it is likely there will be economies of scale i.e. large operation can bring lower unit costs (HL Syllabus 2.11)
- Government can raise large sums of money through national debt (borrowing) easier and possibly at a lower cost than the private sector
- Some analysts raise the question of how productivity / efficiency is measured in the public sector when government provides public goods

NO

- Make distinction between public and private goods
- Use of 'quasi' goods also useful
- Market can play a key role in providing quasi public goods e.g. motorways, bridges
- Government provision of goods and services often proven to be inefficient e.g. low productivity
- Private firms providing quasi goods are effective at measuring productivity and efficiency as this has a direct bearing on profitability

Answer: Decision/judgement: Suggestion here is to argue 'NO' public goods should not always be provided by government. Pure public goods are notable exceptions e.g. police, justice, defence etc

7. Draw a diagram to show how an indirect tax can be used to show how a demerit good can be regulated. Diagram must be expertly labeled. Then draw a diagram to show a negative externality of consumption. (2 marks/ 4 minutes)



8. Define the following terms and then make a 3 column table to list some key features including an example of each of the following:

- Private goods
- Public goods
- Merit goods

Private goods	Public goods	Merit goods
<ul style="list-style-type: none"> • Normal economic goods allocated in a market via the price mechanism • Command a price in a market and are owned by the individual • Example: Apple computer 	<ul style="list-style-type: none"> • Market failure • Pure public goods cannot be supplied by market • Government uses direct provision • Under-produced below social optimum where $MSC < MPC$ • Example: police force 	<ul style="list-style-type: none"> • Market failure • Merit goods can be supplied by the market • Market + government can provide • Under-consumed below social optimum where $MSB < MPB$ • Example: health care + education
<p>Define: Goods + services provided by the market and owned by an individual. Goods are scarce and command a price.</p>	<p>Define: goods that are not provided - pure public goods (or under provided - quasi public goods-by a market). Public goods are non-excludable and non-rivalrous.</p>	<p>Define: Goods + services underprovided by the market and considered important for society e.g. education + health care</p>