

Exercise walk-through

Public and Private Goods ■ 6.3

eXercise

You must be able to

- classify goods by **rivalry** 竞争性 and **excludability** 排他性
- distinguish a **private good**, a **public good** 公共物品, a **common resource** 共有资源, and a **club good**
- explain the **free-rider problem** 搭便车问题
- explain the **tragedy of the commons** 公地悲剧

Method — Two properties

- **Rival** — one person's use reduces what is left for others.
- **Excludable** — non-payers can be kept out.

Method — Four types

- **Private** — rival and excludable (a sandwich).
- **Public** — non-rival and non-excludable (national defence).
- **Common resource** — rival and non-excludable (ocean fish).
- **Club** — non-rival and excludable (cable TV).

Method — Two problems

The **free-rider problem** means markets **underprovide** public goods; the **tragedy of the commons** means common resources are **overused**. Government often steps in.

Practice 2.1 ■ 1 mark

Define a public good.

Solution 2.1

Worked steps

a good that is non-rival and non-excludable **B1**.

Practice 2.2 ■ 1 mark

State the free-rider problem.

Solution 2.2

Method: Two problems

Worked steps

people can enjoy a good without paying for it, so too little is provided **B1**.

Practice 2.3 ■ 1 mark

Give one example of a common resource.

Solution 2.3

Method: Four types

Worked steps

ocean fish stocks, a public grazing field, or clean air (any one) **B1**.

Exam-style 3.1 ■ 1 mark

A public good is

- A** rival and excludable
- B** non-rival and non-excludable
- C** rival and non-excludable
- D** non-rival and excludable

Solution 3.1

- A rival and excludable
- B non-rival and non-excludable**
- C rival and non-excludable
- D non-rival and excludable



Worked steps

B.

Exam-style 3.2 ■ 1 mark

The tragedy of the commons is the

A overuse of a common resource

B underuse of a club good

C free provision of a private good

D effect of a tax

Solution 3.2

Method: Two problems

A overuse of a common resource



B underuse of a club good

C free provision of a private good

D effect of a tax

Worked steps

A.

Exam-style 3.3 ■ 1 mark

National defence protects everyone, and no one can be excluded from it.

- (a) Name the type of good.
- (b) Name the problem that means markets underprovide it.
- (c) State who typically provides it.

Solution 3.3

Method: Two problems

Worked steps

(a) a public good **B1**. (b) the free-rider problem **B1**. (c) the government **B1**.