

Exercise walk-through

3.1

Externalities, public goods and fairness: supported rehearsal

International Baccalaureate · IB Diploma · Economics · HL

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The method

Method — Worked example

A negative production externality makes marginal social cost exceed marginal private cost. Unregulated private choice can exceed the socially efficient quantity. A public good is non-rival and non-excludable; a common-access resource is rival and difficult to exclude. These properties create different problems. Efficiency and fairness are distinct criteria.

Task: a shared fishery is depleted, while a warning signal is available to everyone.

Compare the problems and evaluate one fishery policy.

Catch removes fish available to others, so the resource is rival; weak exclusion can encourage overuse. A broadcast warning can be non-rival and hard to exclude, creating financing/free-rider issues. A monitored catch limit can reduce depletion but requires enforceability and affects livelihoods. Assess ecological evidence, compliance and distribution; a price or quantity instrument is not automatically fair.

Method — Worked example

Compare the problems and evaluate one fishery policy.

Original source / task evidence

Task: a shared fishery is depleted, while a warning signal is available to everyone.
Compare the problems and evaluate one fishery policy.

Separate what is stated from the interpretation.
Externalities, public goods and fairness

Original classroom evidence panel for Externalities, public goods and fairness

Exercises 2.1-3.1

2.1 For the worked case, identify the evidence and a conclusion it can support. Explain one material limit. [3]

3.1 A fishing subsidy lowers private costs without catch controls. Predict a risk and evaluate a condition for use. Give a reasoned answer, evidence or method, and a relevant qualification. [3]

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3.1 A fishing subsidy lowers private costs without catch controls. Predict a risk and evaluate a condition for use. Give a reasoned answer, evidence or method, and a relevant qualification. [3]

3.1 Lower private costs can increase effort and catch, worsening common-resource depletion. Sustainable stock evidence, enforceable limits and livelihood effects are relevant conditions. Do not infer that every subsidy has the same effect; specify its mechanism and design. Authored points for a relevant judgement, reason tied to the case and justified qualification or method. Accept a supported alternative.