1.23 Public Goods and the Free-Rider Problem: 10-minute Pack

Total Marks

AQA 7136 · Calculators not allowed · about 10 minutes

Name: _____ Date: ____ / ____ / _____

Answer all questions. Full sentences are required for questions worth 3 marks or more and for the 12-mark question. Time guidance: 10 minutes for the whole pack.

1 Define the economic term 'non-rivalry' in the context of a public good, with reference to street lighting in a UK town.

(Total for Question 1 is 2 marks)

2 State two possible limitations or problems with government provision of public goods financed by taxation, briefly explaining each in the context of provision of free-to-access public parks.

(Total for Question 2 is 3 marks)

3 Explain, in two brief points, how the marginal cost and marginal benefit concepts help justify state provision of a public good such as national defence.

(Total for Question 3 is 2 marks)

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Mark scheme · 1.23 Public Goods and the Free-Rider Problem: 10-minute Pack

Question 1

a statement that non-rivalry means one person's use of the good does not reduce its availability to others	**B1**
example link: one person benefiting from street lighting does not prevent others from also benefiting	**B1**

Answer: Non-rivalry means one person's consumption does not reduce what is available for others; for street lighting, one pedestrian using the light does not stop another pedestrian from also benefiting.

Question 2

identifies a limitation, e.g. government may provide at inefficient scale due to political pressures rather than cost-benefit	**B1**
explains it in context: a council might over-invest in park amenities to win votes rather than reflect actual public demand	**B1**
identifies and explains a second limitation, e.g. taxation creates deadweight loss or distortion, reducing economic efficiency and possibly crowding out private provision	**B1**

Answer: Governments may provide at an inefficient scale due to political motives, for example over-investing in park features for popularity, and taxation to finance parks can create economic distortions or deadweight loss, reducing overall efficiency and potentially crowding out private alternatives.

Question 3

point that marginal cost of providing the public good to an additional user is near zero for non-rival goods, so private pricing at marginal cost would not cover fixed costs	**M1**
point that the marginal social benefit exceeds the marginal private benefit because everyone benefits, justifying collective provision financed by taxation	**M1**

Answer: Marginal cost of serving an additional beneficiary is near zero for non-rival goods so private marginal-cost pricing would not recoup fixed costs, and marginal social benefit exceeds marginal private benefit because the whole population gains, so collective provision funded by taxation can achieve the socially optimal provision.

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