

# 1.6 Classification of goods and services

Name: \_\_\_\_\_ Class: \_\_\_\_\_ Date: \_\_\_\_\_ **Total: 25 marks**

**KEY WORDS** merit good • public good • economic good  
• free good • demerit good

## Objective

Build the skills to answer exam questions on the **classification of goods and services** – **free and economic goods**, **public goods** (and the **free-rider problem**), and **merit and demerit goods**.

You must be able to:

- distinguish free, private, public, merit and demerit goods
- explain **rivalry** and **excludability**
- explain the free-rider problem and why the government provides public goods

## 1 Key knowledge and worked examples

■ Types of good

|           | Excludable                                        | Non-excludable                                          |
|-----------|---------------------------------------------------|---------------------------------------------------------|
| Rival     | <div>Private good</div> <div>food, clothes</div>  | <div>Common resource</div> <div>ocean fish, air</div>   |
| Non-rival | <div>Club good</div> <div>cinema, toll road</div> | <div>Public good</div> <div>street light, defence</div> |

Exam: classify by rivalry x excludability — free-rider problem only for non-excludable goods

*Private, club, common-resource and public goods*

- **Private good** : has **rivalry** (my use reduces yours) and **excludability** (non-payers can be stopped).
- **Public good** : **non-rivalry** + **non-excludability**  
→ the **free-rider problem** → private firms won't supply it, so the government does.
- **Merit good** (e.g. education): under-consumed; **demerit good** (e.g. cigarettes): over-consumed – both from **information failure**.

**Answer shapes:** AO1 + AO2 + AO3 (analysis) + AO4 (judgement, for evaluate questions).

## 2 Practice

**2.1** Define the term *public good*. [2]

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**2.2** State the two features of a private good. [2]

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**2.3** State the difference between a *merit* and a *demerit* good. [2]

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## 3 Exam-style questions

**3.1** A good that is non-rival and non-excludable is a: [1]

- ☐ **A** private good  
☐ **B** merit good  
☐ **C** public good  
☐ **D** free good

**3.2** Explain why the **free-rider problem** means private firms will not supply a public good. [6]

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**3.3** Discuss whether the government should provide all merit goods free of charge. [12]

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