

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	Private good food, clothes	Common resource ocean fish, air
Non-rival	Club good cinema, toll road	Public good street light, defence

Exam: classify by rivalry × 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]

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

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

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]

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