Past-paper walk-through

Classification of goods and services ▪ 1.6

eXercise

Questions in this set

- 9708/11 N25 Q4 ▪ 1 mark
- 9708/14 N25 Q11 ▪ 1 mark
- 9708/14 N25 Q13 ▪ 1 mark
- 9708/21 N25 Q3 ▪ 20 marks
- 9708/11 J25 Q3 ▪ 1 mark
- 9708/12 J25 Q3 ▪ 1 mark
- 9708/12 J25 Q13 ▪ 1 mark
- 9708/1 23 Q4 ▪ 1 mark

Reading the mark scheme

- **B1** a mark that stands on its own – the point is either made or not.
- **M1** a *method* mark: the right approach, even if the number is wrong.
- **A1** an *answer* mark, and it usually needs its M mark first.
- **C1** a working mark on the way to the answer.
- // separates answers the examiner accepts equally.
- **ecf** = error carried forward: a later part is marked on your own earlier answer.
- **owtte** = "or words to that effect" – the wording need not match.

Question 4

9708/11 N25 ▪ Q4 ▪ 1 mark

4 What is an example of a public good?

A A ferry that takes members of the public across a river.

B A fish farm that is owned by the government.

C A fishing boat that is owned by all members of a village.

D A lighthouse that warns boats of dangerous rocks.

Solution 4

Answer: **D**

Why

- A public good must be both non-excludable and non-rival.
- Anything with a fare, a fence or an owner who can charge is excludable, so it is not a public good.
- Government *ownership* is irrelevant – what matters is whether non-payers can be excluded.

Question 11

9708/14 N25 ▪ Q11 ▪ 1 mark

11 What is a characteristic of a public good?

A Households cannot accurately value the benefits of a good.

B Households cannot be excluded from consuming the good.

C The amount of the good available diminishes as households consume it.

D Households are rivals in the consumption of the good.

Solution 11

Answer: **B**

Why

- A public good is non-excludable: households cannot be prevented from consuming it.
- It is also non-rival, so one person's consumption leaves the amount available unchanged.
- Not being able to *value* the benefit describes a merit good's information failure, not a public good.

Question 13

9708/14 N25 ▪ Q13 ▪ 1 mark

13 What is an example of direct public provision of goods and services?

A a charity hospital funded by public donations that offers free treatment to the rural poor

B a mobile government library that travels to rural villages offering access to books

C a private-sector pharmacy that provides treatment directly to the public

D a private school that offers free places to children of low income families

Solution 13

Answer: **B**

Why

- Direct public provision means the state produces and supplies the service itself.
- So look for a government-run and government-funded facility.
- A charity, or a private provider given a subsidy, is not direct public provision.

Question 3

9708/21 N25 ▪ Q3 ▪ 20 marks

3 (a) With the help of examples, explain the nature and characteristics of free goods and private goods (economic goods) and consider the significance of the distinction between these two types of good. [8]
(b) Assess whether education should be classified as a public good or a merit good. [12] Section C Answer one question. EITHER

(a) (a) With the help of examples, explain the nature and characteristics of free goods and private goods (economic goods) and consider the significance of the distinction between these two types of good. [8] **[8]**

(b) (b) Assess whether education should be classified as a public good or a merit good. [12] **[12]**

Solution 3

(a) Mark scheme

- With the help of examples, explain the nature and characteristics of free
- goods and private goods (economic goods) and consider the
- significance of the distinction between these two types of good.
- Follow the point-based marking guidance at the top of this mark scheme and
- award: up to 3 marks for AO1 Knowledge and understanding up to 3 marks for
- AO2 Analysis and up to 2 marks for AO3 Evaluation.
- AO1 Knowledge and understanding (max 3 marks)
- Free goods:

Solution 3

- ▪
- A free good is one which is consumed by people without a situation of
- scarcity arising, i.e. there is enough of the good to satisfy everybody and
- it has no opportunity cost, such as sunlight. 1
- Private goods (economic goods):
- ▪
- A private or economic good is one which is consumed by an individual for
- their own private benefit, such as clothing. 1
- Use of appropriate examples of each type of good to support the
- explanations. 1

Solution 3

- AO2 Analysis (max 3 marks)
- Free goods:
- ▪
- As a free good is not scarce, it does not require a market. The supply of
- the good equals the demand for it at zero price. It takes no factors of
- production to produce a free good and so there is no opportunity cost
- involved; analysis of the significance of there being no opportunity cost.
- Private (economic) goods:
- ▪
- Excludability: people can be excluded from consuming it if they do not

Solution 3

- pay the required price for it.
- ▪
- Rivalry: the consumption of a private good by one person reduces its
- availability for other people, i.e. there is rivalry in such a situation because
- consumers are in competition with other consumers to consume a
- particular product.
- AO3 Evaluation (max 2 marks)
- Offers a valid judgement on the significance of the distinction between the two
- types of good (1) to reach a conclusion. 1
- 8

Solution 3

- AO1 Knowledge and understanding
- 3
- AO2 Analysis
- 3
- AO3 Evaluation
- 2
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Solution 3

(b) Mark scheme

- Assess whether education should be classified as a public good or a
- merit good.
- Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table
- B: AO3 Evaluation to mark candidate responses to this question.
- AO1 and AO2 out of 8 marks. AO3 out of 4 marks.
- Indicative content
- Responses may include:
- AO1 Knowledge and understanding and AO2 Analysis

Solution 3

- Public good:
- ▪
- In contrast to private goods, public goods are provided by society as a
- whole so that everyone can benefit from them.
- ▪
- Non-excludability: once a public good has been provided for one person,
- it is not possible to stop other people from benefiting from such a good
- (i.e. no one is excluded) (this would not apply to education).
- ▪
- Non-rivalry: as more people consumer the public good, the benefit to

Solution 3

- those already consuming it is not reduced (i.e. consumption by one
- person does not prevent others from consuming it).
- ▪
- Non-rejectability: even if a person does not want the public good, they are
- not actually able to reject it.
- ▪
- Free rider issue: it is impossible to exclude a person who has not paid.
- Merit good:
- ▪
- A merit good is a particular type of private good.

Solution 3

- ▪
- Like other private goods, a merit good is both rival and excludable.
- ▪
- What distinguishes a merit good is under-consumption if provided through
- the private sector as a result of imperfect information in the market, such
- as education (there has to be a clear focus on education throughout
- the answer).
- (Up to 8 marks)
- Level 1 responses will be assertive and lacking in explanations/mainly
- descriptive and/or mainly lacking in relevance to the question.

Solution 3

- Level 2 responses may contain some inaccuracies and will be one-sided.
- Analysis will be explained at least in part and will be largely relevant to the
- question.
- Level 3 responses will consider alternative policies/concepts etc. and will be
- balanced. Explanations of points raised will be offered and will be accurate
- and relevant to the question.
- 12
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- 2025

Solution 3

- AO3 Evaluation
- ▪
- Evaluation of the distinction between the features and characteristics of a
- public good and a merit good.
- ▪
- In conclusion, education is provided through both the public sector and
- the private sector and so should be considered as a merit good rather
- than a public good.
- Accept all valid responses. A one-sided response cannot gain any marks for
- evaluation. (Up to 4 marks)

Solution 3

- AO1 Knowledge and understanding and AO2 Analysis
- 8
- AO3 Evaluation
- 4
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- EITHER

Question 3

9708/11 J25 ▪ Q3 ▪ 1 mark

3 Which goods are **least** likely to be allocated by market forces in a mixed economy?

A hospitals

B railways

C street lighting

D television programmes

Solution 3

Answer: **C**

Why

- Market forces cannot allocate a good that is non-excludable and non-rival.
- Street lighting is exactly that: no one can be charged and one person's use does not reduce another's.
- Hospitals, railways and television programmes can all be charged for, so markets can supply them.

Question 3

9708/12 J25 ▪ Q3 ▪ 1 mark

3 What is a statement of the non-rivalrous nature of public goods?

A It is not possible to stop a non-payer from using the product.

B One person consuming the product does not reduce the amount of it available to others.

C People consume too little of the product because they are unaware of its true benefits.

D There is an unlimited supply of the product.

Solution 3

Answer: **B**

Why

- Non-rival means one person's consumption does not reduce what is available to anyone else.
- Non-*excludable* is the separate property that a non-payer cannot be kept out.
- So the statement about one person's use not reducing another's is the non-rivalry one.

Question 13

9708/12 J25 ▪ Q13 ▪ 1 mark

13 Why might governments provide free education for children aged 4 to 16 years old?

A Consumers are not fully aware of the benefits of education.

B Education in a free market system would be over consumed.

C Education is a public good and there would be many free riders.

D The private costs of education exceed the private benefits in a free market.

Solution 13

Answer: **A**

Why

- A merit good brings more benefit than consumers realise, so they under-consume it in a free market.
- That information failure is the market failure the government is correcting.
- Education also has positive externalities, so the social benefit exceeds the private benefit.

Question 4

9708/1 23 ▪ Q4 ▪ 1 mark

4 An individual buys a ticket to visit a government-owned art gallery.

How would this visit be classified by an economist?

A private and demerit good

B private and merit good

C public and demerit good

D public and merit good

Solution 4

Answer: **B**