

1.6 Classification of goods and services

Name: _____ Class: _____ Date: _____ **Total: 25 marks**

KEY WORDS merit good 优值品 • public good 公共物品 • economic good 经济物品
• free good 免费物品 • demerit good 劣值品

Objective

Build the skills to answer exam questions on the **classification of goods and services** 物品与服务的分类 — **free and economic goods** 免费物品与经济物品, **public goods** 公共物品 (and the **free-rider problem** 搭便车问题), and **merit and demerit goods** 优值品与劣值品.

You must be able to:

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

1 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** 私人物品: has **rivalry** 竞争性 (my use reduces yours) and **excludability** 排他性 (non-payers can be stopped).
- **Public good** 公共物品: **non-rivalry** 非竞争性 + **non-excludability** 非排他性 → the **free-rider problem** 搭便车问题 → private firms won't supply it, so the government does.
- **Merit good** 优值品 (e.g. education): under-consumed; **demerit good** 劣值品 (e.g. cigarettes): over-consumed — both from **information failure** 信息失灵.

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	B
C	D

- 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]
