The mixed economy and externalities

Pearson Edexcel · International GCSE · Economics · Vocabulary in context

Word	Example
mixed economy /mɪkst ɪˈkɒnəmi/	In a **mixed economy**, both the government and private firms provide goods.
private sector /ˈpraɪvət ˈsektə/	A family bakery belongs to the **private sector**.
public sector /ˈpʌblɪk ˈsektə/	State schools belong to the **public sector**.
market failure /ˈmɑːkɪt ˈfeɪlɪə/	Pollution with no price is a **market failure**.
non-excludable /nɒn eksˈkluːdəbl/	Street lights are **non-excludable**: no one can be stopped from using them.
non-rival /nɒn ˈraɪvl/	A radio signal is **non-rival**: one person listening does not stop others.
free-rider problem /friː ˈraɪdə ˈprɒbləm/	People who use the street lights without paying cause the **free-rider problem**.
privatisation /ˌpraɪvətaɪˈzeɪʃn/	**Privatisation** sells a state-owned firm to private owners.
externality /ekˈstɜːnælɪti/	Smoke affecting nearby households is a negative **externality**.
third party /θɜːd ˈpɑːti/	A **third party** is someone outside the deal who is still affected by it.
public good /ˈpʌblɪk ɡʊd/	A flood wall is a **public good**: it protects everyone.
external cost /ekˈstɜːnl kɒst/	Noise from a factory is an **external cost** to its neighbours.

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external benefit /ekˈstɜːnl ˈbenɪfɪt/	A neighbour's pretty garden gives you an **external benefit**.