

3.1 Externalities, public goods and fairness: supported rehearsal

Name: _____ Class: _____ Date: _____ **Total: 6 marks**

Objective

Supported preparation: Analyse externalities, public goods and common-access resources; Distinguish efficiency from fairness in policy evaluation. This is original rehearsal, not completion of the assessed task.

1 Key knowledge and worked examples

A negative production externality makes marginal social cost exceed marginal private cost. Unregulated private choice can exceed the socially efficient quantity. A public good is non-rival and non-excludable; a common-access resource is rival and difficult to exclude. These properties create different problems. Efficiency and fairness are distinct criteria.

Original source / task evidence

Task: a shared fishery is depleted, while a warning signal is available to everyone. Compare the problems and evaluate one fishery policy.

Separate what is stated from the interpretation.
Externalities, public goods and fairness

Task: a shared fishery is depleted, while a warning signal is available to everyone. Compare the problems and evaluate one fishery policy.

Catch removes fish available to others, so the resource is rival; weak exclusion can encourage overuse. A broadcast warning can be non-rival and hard to exclude, creating financing/free-rider issues. A monitored catch limit can reduce depletion but requires enforceability and affects livelihoods. Assess ecological evidence, compliance and distribution; a price or quantity instrument is not automatically fair.

2 Practice

2.1 For the worked case, identify the evidence and a conclusion it can support. Explain one material limit. [3]

3 Exam-style questions

3.1 A fishing subsidy lowers private costs without catch controls. Predict a risk and evaluate a condition for use. Give a reasoned answer, evidence or method, and a relevant qualification. [3]

Solutions

2.1 Catch removes fish available to others, so the resource is rival; weak exclusion can encourage overuse. A broadcast warning can be non-rival and hard to exclude, creating financing/free-rider issues. A monitored catch limit can reduce depletion but requires enforceability and affects livelihoods. Assess ecological evidence, compliance and distribution; a price or quantity instrument is not automatically fair. Authored points for identifying relevant evidence, explaining a supported inference and a material limit.

3.1 Lower private costs can increase effort and catch, worsening common-resource depletion. Sustainable stock evidence, enforceable limits and livelihood effects are relevant conditions. Do not infer that every subsidy has the same effect; specify its mechanism and design. Authored points for a relevant judgement, reason tied to the case and justified qualification or method. Accept a supported alternative.