

Summary

2.9 Market failure – public goods

Subject	Year	Start date	Duration
Economics	IB1	Week 4, January	1 week 3 hours

Course Part

2. Microeconomics

Description

2.9 Market failure – public goods, you should be able to:

- Define public goods, private goods, rivalry and non-rivalry, excludability and non-excludability, the free-rider problem, quasi-public goods and common pool resources.
- Using the concepts of rivalry and excludability, and providing examples, distinguish between public goods (non-rivalrous and non-excludable) and private goods (rivalrous and excludable).
- Explain, with reference to the free-rider problem, how the lack of public goods indicates market failure.
- Discuss the implications of the direct provision of public goods by the government.
- Discuss the implications of contracting the provision of public goods to the private sector.

Inquiry & Purpose

? Inquiry / Higher Order Questions

Type

Inquiry Questions

Skills-based

The idea of environmental sustainability suggests that people should avoid destroying resources today so as not to penalize future generations. Is it possible to have knowledge of the future?

Curriculum

◇ Objectives

Synthesis and evaluation (AO3)

Discuss and evaluate economic information and theories

📖 Syllabus Content

2.9 Market failure – public goods

Public goods

Non-rivalrous, non-excludable

Free rider problem

IB DP 12 EC 1 Group 3 (IB1)

Government intervention in response to public goods

Direct provision

Contracting out to the private sector

2.10 Market failure – asymmetric information (HL only)

Asymmetric information


Adverse selection

Moral hazard

Responses to asymmetric information

Government responses: legislation and regulation, provision of information

Private responses: signalling and screening

 Concepts

- Market failure, resulting in **allocative inefficiency** and welfare loss

ATL Skills

 Approaches to Learning

 **Thinking**

- In this unit, we will

build on a specific prior task


help students to make their thinking more visible (for example, by using a strategy such as a thinking routine)


Developing IB Learners

 Learner Profile

 Principled

 Caring

 Balanced

 Reflective