

# Example of essay on government intervention

[Business](#), [Marketing](#)



Market mechanism is aimed at meeting the needs expressed in demand. But there are some needs that can not be measured in money and turned into demand, the market will pass by these needs. These are goods and services of collective consumption that involve all members of society. Such goods in world economics are called public goods. Their feature is non- excludable consumption, all consumers get them equally regardless of whether they pay for them or not. Examples of public goods include cooking recipes, radio and television broadcasts, languages (both human and programming), national defense, clean air, the light from lighthouses and uncongested roads. For example, a radio or TV signal: one person's reception does not detract from reception of others. Or military protection: if a country has an army, everyone citizen is protected, not just those who pay for the army. So the consumption of public goods by one person does not reduce its availability to others. Some products may begin to lose some of their characteristics of a public good as a result of negative externalities that occur when consumption rises beyond a certain level. An externality is a cost or benefit that results from an individual or group engaged in an activity to other individuals or groups. Examples of negative externalities include congestion of roads when traffic is so hard that it causes impossibility to use them by other members of society. Public goods are not competitive, because the marginal costs of additional consumer are zero.

It is interesting to mention that if the payment for public goods was taken in accordance with the marginal revenue of their use, there would be a powerful stimulus to conceal the true information and to downplay the real amount of benefits. Indeed, as consumers get benefit from the public good,

regardless of whether they pay for it or not, there is a desire to avoid extra payments and to get this benefit for free. This situation is called free-rider problem. Free-rider problem occurs more often in large than in small groups of consumers, as in large ones it is more difficult to obtain the necessary information about the situation with payers. As a result of the existence of free-rider problem producing pure public goods is less effective. The market being unable to cope with this problem fails. As a result of this free rider problem, the market will tend to under-produce public goods such as national defense, for example. Hence, many economists recommend that public goods should be supplied or at least financed by the state. The existence of public goods has traditionally been used as a rationale for government intervention in economic affairs. The government helps to fix the "failures" of the market. Producing of public goods as a function of the government is financed by the central or local budgets. Sometimes, though, it is difficult to distinguish public goods from private ones. For example, higher education has features of a public good, as students consume their services collectively and equally, but it also has features of private goods, like not having the principle of non-excludable consumption. Therefore, the system of higher education can be developed on a combination of market and public foundations. So here we can meet such meaning as government intervention, when market cannot meet the demand of public goods and government come to rescue in order to produce sufficient quantity of appropriate quality of necessary public goods.