

# Public Goods and Common Property

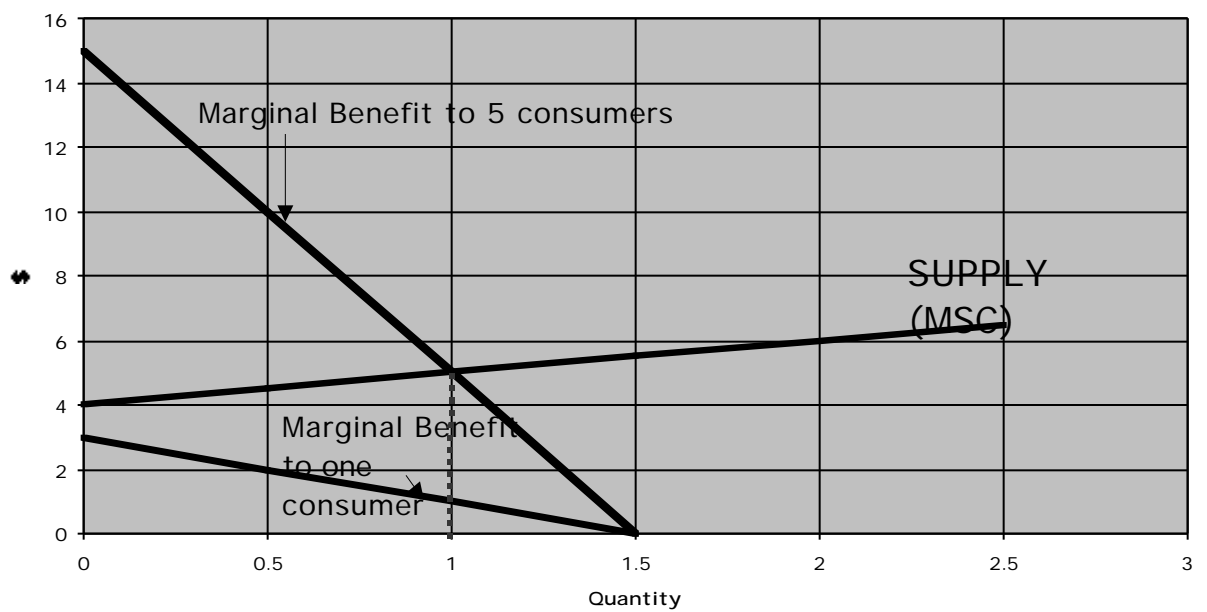




## Public Goods

- Nonrival -- quantity available to other people does not fall when someone consumes it
- Nonexcludable -- prohibitively expensive to provide the good only to people who pay for it

# Public Good





## Public Good

- In graph, private market would not produce  $Q=1$  because no individual consumer would pay MSC. Once firm has produced product, it can't exclude others who might enjoy it
- Consumers could cooperatively purchase  $Q=1$ , but there is the free rider problem



# Tragedy of the Commons

- Fishing experiment
- Rival, but not excludable
- Property Rights as solution
- Social norms as alternative to property rights



## Drawbacks of private property rights

- High costs of defining or enforcing property rights
- Difficulty of charging for use
- High transactions costs
- Fairness



# Four Categories of Goods

- **Private Goods**
  - Rival and excludable
- **Public Goods**
  - Nonrival and nonexcludable
- **Common Resources**
  - Nonexcludable, but rival
- **Natural Monopolies**
  - Excludable but nonrival



# Discussion

- Classify the following
  - Police protection
  - Education
  - The Internet
    - Globally
    - Web access at the Colleges
- Why does government provide items that are not public goods?