

Nalanda Open University

Department of Economics

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- Course – MA Economics (Part –II)
- Paper – IX (Welfare Economics)
- Topic – Public Good and Private Good

PUBLIC GOOD

In economics, a **public good** is a good that is both non-excludable and non-rivalrous, in that individuals cannot be excluded from use or could benefit from without paying for it, and where use by one individual does not reduce availability to others or the good can be used simultaneously by more than one person.

This is in contrast to a common goods such as wild fish stocks in the ocean, which is non-excludable but is rivalrous to a certain degree, as if too many fish are harvested, the stocks will be depleted.

Introduction of Public Goods

Prof. P. A. Samuelson is usually credited as the economist who articulated the modern theory of public goods in a mathematical formalism, building on earlier work of N. Wicksell and Prof. Lindahl.

In his classic 1954 paper *The Pure Theory of Public Expenditure*, he defined a public good, or as he called it in the paper a "collective consumption good", as follows:

[goods] which all enjoy in common in the sense that each individual's consumption of such a good leads to no subtractions from any other individual's consumption of that good...

Characteristics of Public Good

- Two important Criterion of Public Goods are
Non-Rivalry and
Non-Excludability

This way, all public goods are free to use for all individuals in the society and in non-competitive in nature.

No one in the society is excluded for the use of public goods in the domestic territory.

PRIVATE GOODS

Private goods are those that are both excludable and rivalrous. In other words, people can be prevented from benefiting from the product.

At the same time, the more one person consumes, the less there is available to others.

A private good can exclude people from its use, usually in a monetary fashion. For instance, you have to pay to get into the cinema.

The cinema prevents those without a ticket from getting into the theatre. By contrast, there is no feasible way of doing this.

Table Defining Public Goods and Private Goods

Particulars	Excludable	Non-Excludable
Rivalrous	PRIVATE GOODS	Common – Pool Resources
Non-Rivalrous	Club Goods	PUBLIC GOODS