



PUBLIC GOODS

An Externality Application

BECO-3310 Fall 2025

Excludable

Non-Excludable

Rival

Non-Rival

Characteristics of a Good

- Rivalry in Consumption
 - One person's use diminishes another person's use. one person's consumption of a good reduces the amount available for others
- Excludability
 - The ability to exclude a person from using a good. means that it's possible to prevent someone from consuming it if they haven't paid for it.

Excludable

Non-Excludable

Rival

Private Goods

Non-Rival

Characteristics of Private Goods

- **Rival** - one person's consumption of a good reduces the amount available for others
- **Excludable** - it's possible to prevent someone from consuming it if they haven't paid for it.

Private Goods

Most economic goods are private goods!









Excludable

Non-Excludable

Rival

Private Goods
Jean
Hamburguers
Contact lenses

Non-Rival

Club Goods

Excludable

Non-Excludable

Rival

Private Goods
Jean
Hamburguers
Contact lenses

Non-Rival

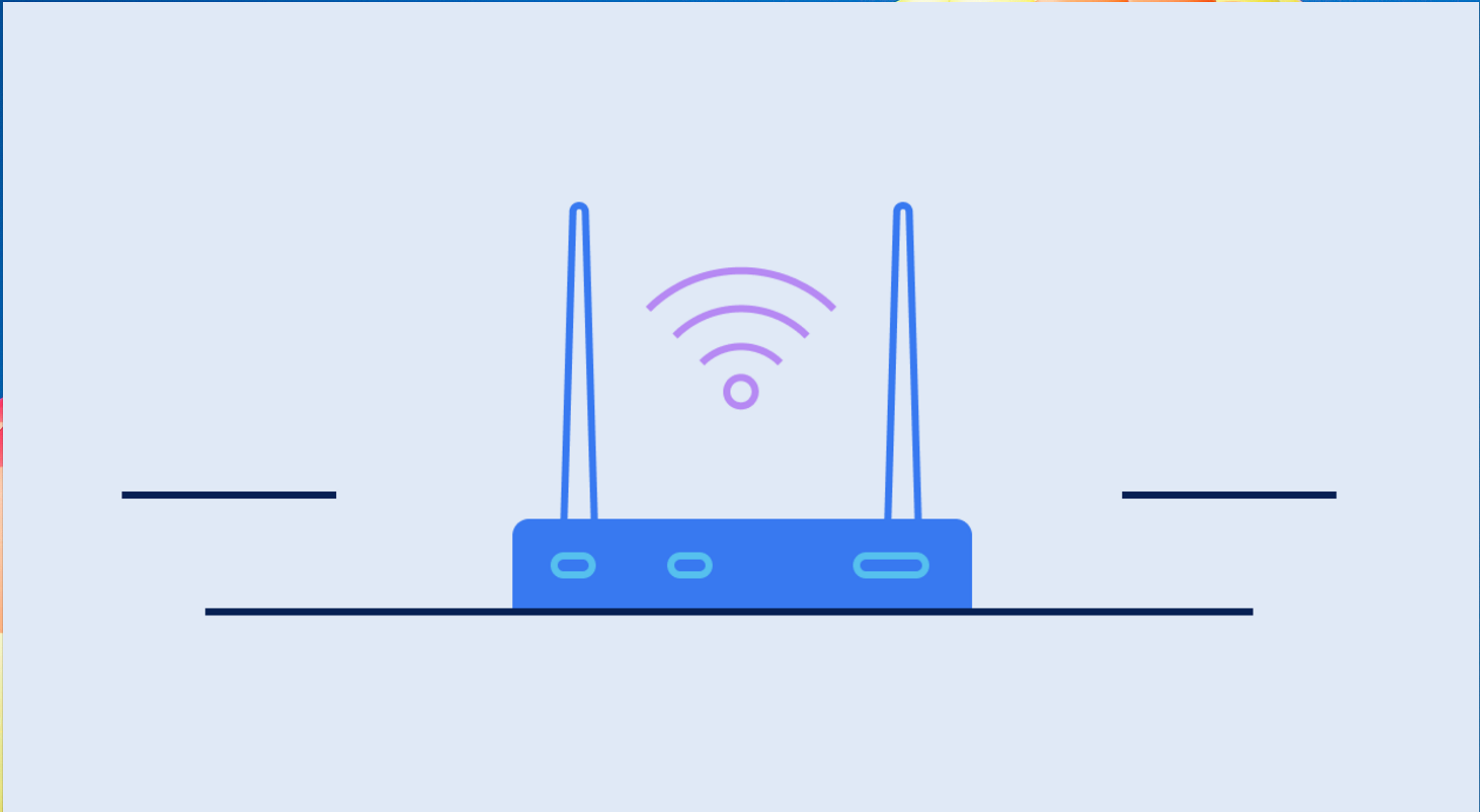
Club Goods

Characteristics of Club Goods

- **Non-Rival** - one person's consumption of a good will not reduce the amount available for others.
- **Excludable** - it's possible to prevent someone from consuming it if they haven't paid for it.







Excludable

Non-Excludable

Rival

Private Goods
Jean
Hamburguers
Contact lenses

Non-Rival

Club Goods
Cable TV
Wifi
Digital Music

Public Goods

Excludable

Non-Excludable

Rival

Private Goods
Jean
Hamburguers
Contact lenses

Non-Rival

Club Goods
Cable TV
Wifi
Digital Music

Public Goods

Characteristics of Public Goods

- **Non-Rival** - one person's consumption of a good will not reduce the amount available for others.
- **Non-Excludable** - it's not possible to prevent someone from consuming it if they haven't paid for it.



Picks from the World of Disney





PUBLIC GOODS

- Positive Externality
- Benefits are enjoyed by those not directly involved in the trade.

THINK – PAIR - SHARE

- Is the provision of public goods going to be efficient?
 - Hint: What happens with a positive externality?

PUBLIC GOODS

- Public goods tend to be under-produced
 - Why?

Free Rider

A person who receives the benefits of the good without paying for its cost.



Choose a person to include in this image.

Choose a person

If something isn't right, you can [report a concern](#).

Suggestions

[Show More](#)



Yo



Disco



Astronaut



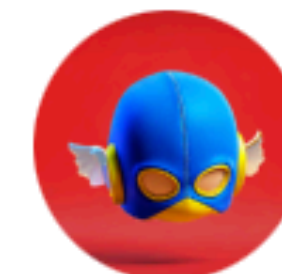
Starry Night



Playful



Hiker



Superhero



BETA Image Playground may create unexpected results

FREE RIDER PROBLEM

- Free riders don't contribute to the public good's costs.
- Private actors won't supply more of the good since it's non-excludable.
Anyone can use it!

Excludable

Non-Excludable

Rival

Private Goods
Jean
Hamburguers
Contact lenses

Non-Rival

Club Goods
Cable TV
Wifi
Digital music

Public Goods
Fireworks
National defense
Mosquito control

The Tragedy of the Commons

TRAGEDY OF THE COMMONS

- The tendency for a resource that is unowned & hence, non-excludable, to be overused.

Excludable

Non-Excludable

Rival

Private Goods
Jean
Hamburguers
Contact lenses

Common
Pool Resources

Non-Rival

Club Goods
Cable TV
Wifi
Digital music

Public Goods
Asteroid deflection
National defense
Mosquito control

Characteristics of Common Pool Goods

- **Rival** - one person's consumption of a good reduces the amount available for others
- **Non - Excludable** - it's not possible to prevent someone from consuming it if they haven't paid for it.





TRAGEDY OF THE COMMONS

- Once something becomes everyone's, it's no one's.
- Is the tragedy of the commons a public goods problem?
 - Not quite!
 - Non-Excludable
 - Tragedy of the Commons **still sees rivalrous behavior.**



TRAGEDY OF THE COMMONS

- Negative Externality
- Use by one person diminishes use by another (**Rivalrous**).
- Too much use (or production)

Excludable

Non-Excludable

Rival

Private Goods
Jean
Hamburguers
Contact lenses

Common
Pool Resources
Tuna in the ocean
The environment

Non-Rival

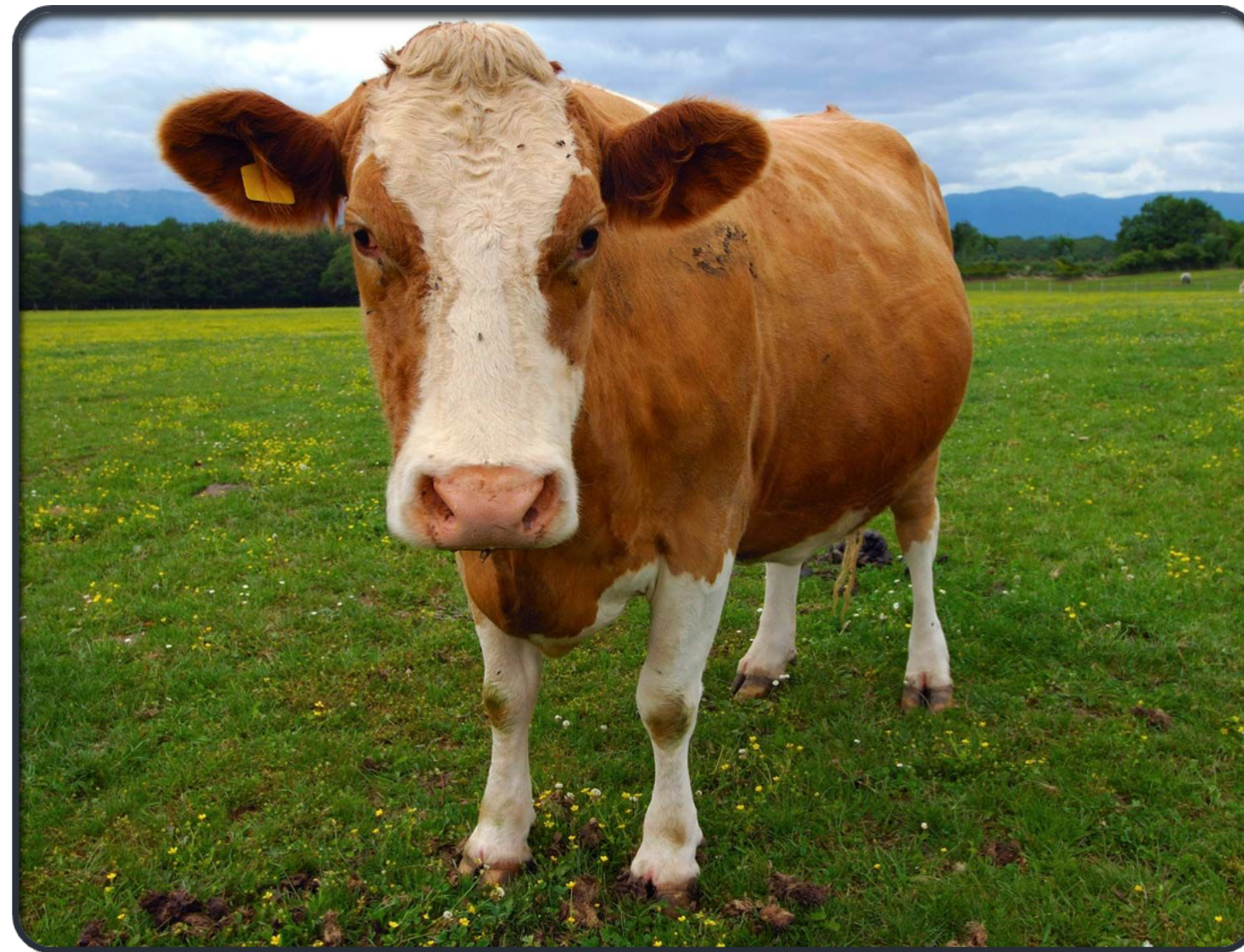
Club Goods
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So what?

WHY DID THE COW NOT GO EXTINCT?

- Buffalo did in 19th century America
- Elephants are hunted in African countries to this very day



COWS ARE A PRIVATE GOOD!

- Commercial value, Continues to thrive!
- Ranches are privately owned so ranchers work diligently to maintain their livestock.



PROPERTY RIGHTS MATTER!

- If the “market fails” it’s usually because property rights are not well-defined or enforced.

PROPERTY RIGHTS MATTER!

- The role of government should be to protect & enforce property rights.
- Is regulation always necessary?

PROPERTY RIGHTS MATTER!

- Often, regulation isn't necessary.
- Simply enforce property rights & let entrepreneurs discover creative, low-cost solutions to solve problems.

Thanks for your attention!
End of class.