

PUBLIC GOODS: CONCEPT & CHARACTERISTICS

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Main Topics

1. Definition
2. Examples
3. Characteristics

Definition:

Public goods are those goods and services which are non - rivalry and non - excludable in consumption and in case of which externality exists.

Examples:

- **National Defence**
- **Environment**
- **Environment Pollution**
- **Public Roads etc.**

Charateristics :

1.Non- rivalness: There is no any competition or rivalness among the individuals in the consumption of public good.

Characteristics:

2. Non-excludability: As all the individuals in the society get the equal opportunity for the consumption of public goods, therefore no one can be excluded from the consumption of public goods.

Characteristics:

3. Externality: Externality is the beneficial or harmful impact on third party due to the activities of production, consumption etc. performed by another party which cannot be bought and sold under the market system.

Types of Externality



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graph TD; A[Types of Externality] --> B[Positive Externality]; A --> C[Negative Externality];
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**Positive
Externality**

**Negative
Externality**

Characteristics:

4. Market Failure: Market failure is the situation where optimum efficient solution can not be attained through the market mechanism. There is market failure in case of public goods.



Thank you!

