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Lecture -19

Natural Resource Economics-3



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Goods in Economics

In economics, goods can be categorized in many different ways. One of the most common distinctions is based on two characteristics: excludability and rivalrousness. That means we categorize goods depending on whether people can be prevented from consuming them (excludability) and whether individuals can consume them without affecting their availability to other individuals (rivalrousness).

Based on those two criteria, we can classify all physical products into four different types of goods: private goods, public goods, common resources/ common property resources and club goods.



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Private Goods

Private Goods are products that are excludable and rival. They have to be purchased before they can be consumed. Thus, anyone who cannot afford private goods is excluded from their consumption. Likewise, the consumption of private goods by an individual prevents other individuals from consuming the same goods. Therefore, private goods are also considered rival goods. Examples of private goods include ice cream, cheese, houses, cars, etc.



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Public Goods

Public goods describe products that are non-excludable and non-rival. That means, no one can be prevented from consuming them, and they can be used by individuals without reducing their availability to other individuals. Examples of public goods include fresh air, knowledge, national defence, street lighting, etc. .



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Common Resources/Common Property Resources

Common resources are defined as products or resources that are non-excludable but rival. That means they can be used by virtually anyone. However, if one individual consumes common resources, their availability to other individuals is reduced. The combination of those two characteristics often results in an overuse of common resources (see also the tragedy of the commons). Examples of common resources include freshwater, fish, timber, pasture, etc.



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Club Goods/Low Congestion/Toll Goods

Club goods are products that are excludable but non-rival. Thus, individuals can be prevented from consuming them, but their consumption does not reduce their availability to other individuals (at least until a point of overuse or congestion is reached). Club goods are sometimes also referred to as artificially scarce resources. They are often provided by natural monopolies. Examples of club goods include cable television, cinemas, wireless internet, toll roads, etc.



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Types of Common Property Resources

- We can list a large number of CPRs, which can be brought under the broad headings like land resources, forest resources, water resources, and fishery resources. These resources are being degraded overtime due to overuse or lack of proper management.
- Land Resources
- Forest Resources
- Water Resources



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Issues in economics and management of Common Property Resources

- There is growing awareness of the significance of Common Property Resources (CPRs) in the rural areas. In past, these resources were neglected by policy makers and planners. The increasing population pressure, institutional changes, privatisation, commercialization, mechanization have played important role in the deterioration of these resources.



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- Broadly the problems associated with CPRs are:
 - (i) Definition,
 - (ii) Accountability,
 - (iii) Depletion
 - (iv) Shrinkage,
 - (v) Policy and management.



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- A common property resource is potentially subject to congestion, depletion or degradation when its use is pushed beyond the limit of sustainable yield. Hardin (1968) called the problem of CPR as the 'tragedy of the commons'.