

Unit: 2

Market failure, externality, public good — Environment as a public good, Tragedy of Commons.

→ Market failure, Tragedy of Commons

→ Public goods / Private goods     Public goods / Public bad

---

Public good and public bad:

- Market failure, Tragedy of Commons
- Public goods / Private goods      Public goods / Public bad

### Public good and public bad:

In simple sense a good is that which is individually beneficial and people really want it. A public good is defined as that good which provides non-excludable and non-rival benefit to the people.

The non-excludability characteristics implies that no one can be excluded from the purpose of consumption of good. On the other hand a good is non-rival, if the consumption of a unit of the good by one person does not reduce the availability of the good for others to consume. The benefits provided by footpath, rural highway etc. are examples of public good.

examples of public good. footpath, rural highway

### Public bad:

Public bad is that which harms people and hence do not want it. If one's economic activities create disutility for others then public bad arise. For example a factory situated in a residential area emits smoke which affects adversely health is considered as public bad.