

Public goods – taking it further

1. Students are likely to mention the ‘standard’ **non-rival** and **non-excludable** characteristics. However, you could also suggest that they think about the **positive externalities** that many public goods bestow on society, and the fact that public goods tend to also be **non-rejectable** (in other words, if someone doesn’t want to take advantage of the provision of a particular public good then there is no way of them avoiding, or rejecting, it). Another characteristic of a truly public good is that all **consumers will consume exactly the same amount of it**, although they won’t all necessarily equally value their consumption of that same amount e.g. they may enjoy **different levels of marginal utility**.
2. There’s a reasonable amount of discussion on this question in the academic literature, with many academic economists suggesting that there is no such thing as a pure private good. Rather, there is an argument that there is a spectrum between a *pure* public good and a *pure* private good – the best way to think about this is to address the main characteristics of public goods (non-rivalry and non-excludability). The following table may help:

	Rival	Non rival
Excludable	Private good	Club good
Non-excludable	Common property Resource	Public good

3. Aspects such as altruism, or wealth (e.g. homeowners in a rich neighbourhood paying for private security), or even corporate social responsibility (businesses choosing to provide a public good to maintain a sound public image e.g. Oxford Street Traders Association). Individuals may also choose to provide a public good if they sufficiently strongly about its benefit i.e. they have a very high valuation of the good. Interestingly, a number of studies carried out on university students (using public goods games) showed that nursing students are significantly much more likely to want to contribute to public goods provision than business and economics students!
4. Free-riding refers to consumption of a good for which the consumer hasn’t paid. Research suggests that people with ‘caring preferences’ are less likely to free-ride. The more that consumption of a good or activity is repeated tends to lead to a greater willingness to free-ride. The ability for consumers of a good to communicate also affects the willingness to free-ride: as communication levels decrease the willingness to free-ride increases. It’s also the case that if an individual places a higher benefit on the public good, they are less likely to free-ride.
5. Students should again consider the characteristics of non-rivalry and non-excludability. Many programmes on public broadcast channels (such as the BBC) are expensive to make, and many subscription channels rely on buying these high-quality programmes from public broadcasters. When consumers pay for subscription TV, they do so mainly to access premium films and sport, not ‘run of the mill’ programming. So, subscription broadcasting is unlikely to be a perfect substitute for public broadcasting – they serve difference purposes.
6. Supporters of this point of view, that governments should have an active role in government, believe that individuals can be better off if they are made to pay taxes. This must be balanced against the argument that governments may ‘coerce’ people into paying too much tax (by over-persuasion of the public good/free-rider argument). So, we have to balance abuse of the taxation system with the benefits/externalities generated as a result of public good provision. Overall, it is difficult for ‘joe-public’ to accurately state the

benefits associated with provision of public goods – information asymmetry – we must trust the ‘experts’ in government.

This debate could be developed by considering whether it is possible for governments to provide an efficient amount of a particular public good, given that it is virtually impossible for all consumers of the good to show their preferences. This could lead into a nice discussion on government failure (and whether this is worse than the existence of the market failure associated with public goods i.e. missing markets). Students could also consider the extent to which private provision of public goods may be possible.

Students could also consider the extent to which governments may want to be involved in the provision of public goods. At one extreme, it could be the total provision of that good (ownership, funding and operation). However, it could be as a regulator, imposing quality standards for private enterprise, or simply as a ‘night-watchman’ regulator, allocating the rights to provide a certain good.