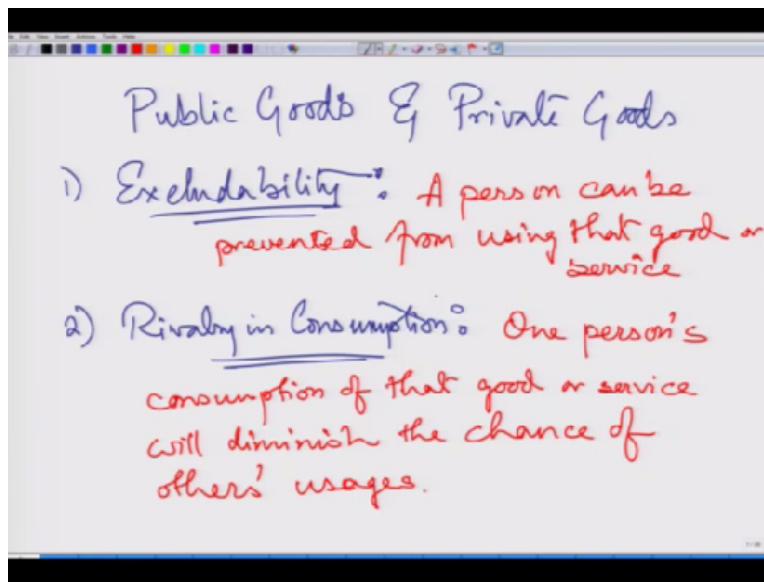


**Economics of Health and Healthcare**  
**Prof. Deep Mukherjee**  
**Department of Economic Sciences**  
**Indian Institute of Technology - Kanpur**  
**Prof. Angan Sengupta**  
**Department of Management, Amirtha Vishwa Vidyapeetham, Bangalore**

**Lecture – 40**  
**Types of Goods- Excludability and Rivalry in Consumption**

Hello all. In this session, we will discuss about public good and private good.

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So a kind of good, there are basically 4 types of good, we will slowly learn but a kind of good let for characteristics which it has in terms of its economic values and all. So we define based on 2 important parameters. Number 1 is excludability and number 2 is rivalry in consumption. What is excludability? Excludability is basically which says a person can be prevented from using a commodity, that good or commodity, yes or a service, good or service.

This is excludability. What is rivalry in consumption is? One person's consumption of that good will diminish the chance of others usage. Now I will try to explain. Excludability is when a person can be prevented from using a particular good or services. What does that mean? That everybody is not entitled to avail a particular commodity or a particular service or to enjoy a particular commodity.

Often in a market we see that if a person pays the prices attached to a commodity. So if a person pays, then the person can avail or utilize a good or service. If they do not pay, they cannot. So there is an excludability, you pay and you use. Like I want to go to a private clinic, I pay for the doctor's fee and I get his treatment or her treatment. If I do not, I cannot, right. And the second thing is that rivalry in consumption.

Say there are too many patient's in a particular government hospital, right. People are lying on the floor, we have seen in one bed, in a paediatric ward, 3 children are sharing a bed, pathetic, right. So that means there is a rivalry in consumption. Everybody is fighting for that bed, for a bed, or for some basic amenities towards their treatments, yes. Nobody is being said no basically. But there is a rivalry.

If somebody gets a bed and if say by norm, 1 bed should be utilized by only 1 person and that means there is a rivalry, that means if 1 person is using the bed, the other cannot. But nobody is saying him or her no, that you cannot, right, okay. So based on these 2 parameters, we decide that which, with which characteristics, which will be name given. Let us say that we will try to form a kind of a contingency matrix where whether the group is excludable or not. So I will form a box, yes.

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A handwritten contingency matrix on a whiteboard. The vertical axis is labeled 'Excludable' with 'Yes' at the top and 'No' at the bottom. The horizontal axis is labeled 'Rivalry in Consumption' with 'Yes' on the left and 'No' on the right. The matrix is divided into four quadrants: 'Private Goods' (Yes Excludable, Yes Rivalry), 'Natural Monopolies' (Yes Excludable, No Rivalry), 'Common Resources' (No Excludable, Yes Rivalry), and 'Public Goods' (No Excludable, No Rivalry). There are red checkmarks under the bottom two quadrants.

		Rivalry in Consumption	
		Yes	No
Excludable	Yes	Private Goods	Natural Monopolies
	No	Common Resources	Public Goods

And then the second parameter is whether there is rivalry in consumption or not, right. And I can

say yes, there is an excludability, yes and there is no excludability, no. And yes, there is a rivalry in consumption and no, there is no rivalry in consumption. Hence a particular good which has rivalry in consumption as well as excludable, yes, both rivalry, there is a rivalry in consumption and they are excludable, they are known as private goods, yes.

They are known as private goods. Because to avail that particular good, you need to pay a particular fee, price, charge. At the same time, if you do not, you are excluded, number 1. Number 2, there are too many people who want to avail that particular good. So there is a rivalry in consumption, right. So you want to go to a, want to meet a doctor who is very busy. You have to take an appointment.

You delay to take that appointment. You may not get to see the doctor and maybe he pays a visiting hour or he is just available maybe twice a month, that is all. So there is a rivalry in consumption and then the doctor is a private good, I mean his service is a private commodity, right. Similarly, we can have a condition where no price is attached, that is there is no excludability, nobody can be said no you are not entitled to use this particular commodity.

At the same time, there is no rivalry in consumption. That means that anybody and everybody can avail that. There is no rivalry in consumption. If I am availing a system, nobody can actually say that no, you are availing and that is why I cannot avail, right. Even if it is free, right. So if there is no rivalry in consumption either as well as there is no excludability, everybody has the same right, then that is known as a public good.

Basic healthcare expenditure, example of this public good can be awareness generation campaign. Some awareness there are or some NGO or the government, the health workers, accredited social health workers, ASHA, the auxiliary nurses, midwives, they are probably just distributing leaflets on what to be done in terms of antenatal check-up during the pregnancy or something on HIV AIDS.

Everybody who they come across or they are giving those leaflets to every household in a particular village or in a particular taluka, whatever, yes. So they are not charging anything, no

price is attached to that. Everybody is getting, rich, poor, Hindu, Muslim, any caste, any education background, everybody getting that, because it is free of charge, number 1. Number 2, there is no rivalry in consumption.

Because if I am getting, it is not that my next house, neighbour, they may not get it. They have ample and they are just distributing 1 in each household. Eventually they may have extra, right. So that can be a perfect example of public good. But at the same time, these are extremes but there can be other commodities for this particular 2 boxes where 1 is no price is attached. So it is free.

There is no excludability. But at the same time, there has a rivalry in consumption. So it can be common resources. They are known as common resources. That means a very crowded government hospital, yes there is a rivalry in consumption. At the same time, no charge is attached. Nobody has to pay anything. Just forget about the user fee that they have to pay or something for the ticket or something, that is a nominal one.

So that can be an example of common resources. So even if they do not have to pay; at the same time, there is a high rivalry of consumption because the demand is enormous, yes. The fourth one is where they have to pay but there is no rivalry in consumption. So let us just take an example that, okay, this is known as natural monopoly, natural monopolies, way different from monopoly, yes, natural monopolies.

Now what by its basic definition? What does it say that the natural monopolies are? Say for an example, the hospital has a fire protection scheme, yes. I am being treated by the hospital. Who is paying for that? The hospital. Let us say it is the government hospital, yes. So and they have a fire protection scheme. The government is paying for that; I am not paying for that. And there is a fire out broke in that hospital.

Who is being saved. Not only the government employers, I mean employees. The patients or the patient part is, the families of the patients, the other visitors, everybody is being saved. So there is no rivalry in consumption and if the fire is being doused off, it is not that there is no

consumption basically. So whoever is inside the building or around the building are being saved. But they are not paying for that, right.

So even if somebody else is paying, but those who are getting the benefit, there is no rivalry in terms of getting the benefit, these conditions are natural monopolies, yes. So when, just to give you a clear idea if we take some random examples of, apart from these healthcare or around healthcare, it can be anything around. So the private goods can be the medicines I take from the private clinics, yes.

The diagnostic centers from where I get the diagnostic. It can be my ice-cream, right. It can be anything. It can be the private hospitals. Similarly, the public good can be the national defence, right. Basically none of us are paying for that separately. It is coming from the (( )) (12:27) taxes, from the government budget, governments revenue. So but even if those who are not paying taxes, that means indirectly also they are not paying, the poor ones, they are not paying for the national defence.

But they are getting the benefit, right. And there is no rivalry in consumption. If I am getting the benefit, everybody else around me is also getting the benefit. Everybody inside India is also getting the benefit. So it is the perfect example of the public good or any, say information about weather calamity, information about a disease outbreak, yes. This everything is public good. Because if something is being broadcasted or telecasted over some national media which is, for which you do not have to make any payment but you are getting the information, that is kind of a public good.

The next can be the common resources. The common resources can be the congested non-tolled roads. Because in a non-tolled road, you do not have to pay any taxes, you are not paying any taxes. But because there is high traffic, so there is a rivalry in consumption, right apart from that crowded hospital, it is the same thing, yes. So because of this heavy traffic, there is a rivalry in consumption.

Everybody wants a space, the bikes squeeze through, the autos squeeze through, the cars are

standing and all this mess. And that any road within the city, Delhi, Mumbai, Bangalore, so there is no taxes, basically non-tolled, there is no toll fee within the city. So there is no excludability but there is a rivalry in consumption, common resources. It can be say a park, a small park in a polluted locality.

So for some freshness, everybody in that locality, they want to go to the park. And it is so crowded then, so it has, so even if it there is no excludability, it is free to enter the park, so but in search of better environment, everybody is availing that. So there is a rivalry in consumption. I have seen that in some places, there is a park in Bangalore and that is so crowded because it is within the city and then that is very crowded.

You cannot really do a morning walk peacefully over there. And the another one is the natural monopoly. Say this natural monopoly, I have got a TV connection, say this DISH TV connection where this lecture is being broadcasted. So I have paid for that but anybody who wants to listen to that lecture, can come in and that really does not reduce my chance to get the information or to watch the TV or to listen to the lecture.

So anybody, the house is bigger, the TV is bigger, anybody can actually sit and get to know. But who is paying, there is somebody else, one person is paying for that DISH TV or some other DTH, right. So that is a natural monopoly. So having said that, in terms of that different kinds of goods when we look at this private good, public good, natural monopolies, or common resources, especially there are serious social implication in terms of this private good as well as public good when we talk about the health systems.

So but at the same time, there are when we talk about this implications and about of the health products or health services, basically we look at the health services or we deserve the health services to be public good and as well as common resources because we do not want to pay anything. It is not, we do not want to pay anything but it should be the government's responsibility.

Any developed country, it has been government's responsibility, the governments take care

mainly, most of the developing countries and that is why the share of budget towards the healthcare expenditure is more and then the out of pocket expenditure has remained low in those countries. Thank you.