

4.9 MODEL QUESTIONS

A) Short Questions (Answer each question in about 150 words)

Q 1. What is a public good? Explain with suitable examples.

Q 2. Explain the properties of public good.

Q 3. On what condition is a good called private good? Explain with suitable examples.

Q 4. How do the goods are classified in economics?

Q 5. What is a mixed good? Explain education as mixed good.

Q 6. What is a merit good? Explain education as merit good.

B) Long Questions (Answer each question in about 300-500 words)

Q 1. How would you like to explain education as public good? Differentiate between public goods and private goods.

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of economics, public good is not simply something that is good for the public. Goods, which have the properties such as non-rivalry and non-excludability of consumption, are called public goods.

Answer to Q No 2:

A good is non-rival when the consumption of the good by one person does not reduce the amount or quality of the good, being available to all other persons. For example, the use (consumption) of streetlight by one person does not reduce the amount of light available for other persons on the street. Thus, street light is non-rival good.

Answer to Q No.3:

A good is non-excludable when we cannot exclude an individual from the consumption of that good. For example, we cannot exclude an individual to use streetlight available on the street. Thus, streetlight is also non-excludable good.

Answer to Q No. 4:

A good is private good when the consumption of the good is rival and excludable. A good is rival when the consumption of the good by one person reduces the amount or quality of the good available to all other persons. On the other hand, a good is excludable when we can exclude an individual from the consumption of that good.

Answer to Q No.5:

Based on the two properties of non-rivalry and non-excludability, we can differentiate between public goods and private goods. Firstly, the consumption of public goods is not rival but the consumption of private goods is rival. Secondly, the consumption of public goods is also not excludable but the consumption of private goods is excludable.

knowledge resulting from research, limiting the possibilities for exclusion and funding research from public funds generates the occurrence of positive externalities.



4.6 LETS US SUM UP

- We have learned that education, especially higher education, meets limited aspects of pure public goods namely non-rivalry and non-excludability of the good.
- The subtle nature of education makes the classification of education as public good very difficult. Thus, education nowadays can be placed in the category of public goods, mixed goods and merit goods.
- The ambiguity surrounding the classification of education as good in one of the three categories discussed above determine the necessity to extend further discussions and clarification in terms of individual and social benefits of education.
- However, education can be termed as public good, mixed good and even private good depending on the two properties applicable.



4.7 FURTHER READING

1. Psacharopoulos, George. (Ed). (1987): *Economics of Education-Research and Studies*. Oxford, England: Pergamon Press.



4.8 ANSWERS TO CHECK YOUR PROGRESS

Answer to Q No 1:

In the layman's terms, public goods are those goods meant for the public and provided by the government. However, in the terminology

4.5.2 Education as Mixed Good:

According to the classification of goods, mixed goods have characteristics of both pure public goods and pure private goods. Thus, education may be defined as mixed goods because it has characteristics such as non-rivalry and excludability. These goods benefit both the individual consumer and the society as a whole. There are many positive spillover effects (externalities) of education like the improvement of health, decline of criminal activities, reduced fertility, etc. Although the completion of a programme of education, especially higher education, brings private benefits to individuals such as obtaining a higher wage; the society as a whole benefits from a higher level of resources collected for the national budget, which is available to finance public utility goods and services.

But, mixed goods, such as education, are consumed collectively which can lead to congestion problem. An increase in the number of new students in a particular class does not diminish the amount of knowledge available but can lead to a congestion of the classroom, which may lead to low quality of the education in the classroom.

4.5.3 Education as Merit Good:

Musgrave and Adam Smith defined education in the field of merit goods because the benefits of education have a visible impact on the society. Educated population provides other benefits than private benefits felt by the individuals, meaning that such a population can increase the future value of a nation's potential. These goods have higher positive externalities than private benefits, thus justifying the need for state intervention in the financing of this sector. This type of good is considered so useful that its funding from private sources is supplemented by public funds. Moreover, referring to the possible negative externalities resulting from the exclusion of people from accessing

4.5 WHETHER EDUCATION IS PUBLIC GOOD OR PRIVATE GOOD?

The debate whether education is public good or private good gained both national and international importance among the policy makers and academicians in the last couple of decades. However, the debate also asserts that education is a commodity and challenges the existing nature of education, i.e. the role of government in education. In 1987, the Government of New Zealand agreed for the first time that education is a public good and it should be provided with the help of government fund. The decision of the Government of New Zealand was severely criticised and debated throughout the world. Nowadays, most of the countries of the world provide education, especially elementary education, with the help of the public fund of the government.

4.5.1 Education as Public Good:

From the above discussion on public goods, education can be defined as a public good because it meets two properties, namely non-rivalry and non-excludability. Education is non-rival because the education achieved by one student during schooling does not diminish the amount of knowledge available to other students. On the other hand, non-excludability of education implies the impossibility of excluding one student from taking admission in school.

However, in case of higher education, it appears that there is a possibility of a consumer's exclusion through price such as high tuition fees. Thus, education may not be included in the category of pure public goods, since it partially fulfills the two characteristics attributed to public goods. Thus, education may be included in the category of mixed goods.

Non-Excludable	**Quadrant III** (*Rival but Non-excludable*) Examples: ➢ Public Park ➢ Health care ➢ Fish stocks of natural pond *These are mixed goods.*	**Quadrant IV** (*Both non-rival and non-excludable*) Examples: ➢ Air, wind, etc. ➢ Streetlight ➢ Defence system of a country *These are pure public goods.*



CHECK YOUR PROGRESS

Q1. What is a public good?

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Q2. What is meant by 'Non-rivalry'?

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Q3. What is known as Non-excludability?

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Q4. What is a private good?

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Q5. Differentiate between public goods and private goods.

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individual consumes that piece of chocolate completely then the chocolate will be finished and there will be no leftover of the chocolate for others to eat. On the other hand, you can exclude other individuals to eat your chocolate easily by hiding. Thus, a piece of chocolate is private good.

Table 1: Difference between public goods and private goods

Public Goods	**Private Goods**
(i) The consumption of public goods is non rival. (ii) The consumption of public goods is also not excludable.	(i) But the consumption of private goods is rival. (ii) The consumption of private goods is excludable.

However, the classification of the goods based on two properties of consumption can be shown with the help of the following Table. In the first quadrant (Quadrant I), it is shown that these goods are both rival and excludable and that is why these goods are called pure private goods. But, in the fourth quadrant (Quadrant IV), the goods are both non-rival and non-excludable and thus these goods are called pure public goods. On the other hand, the goods in the second and third quadrant (Quadrant II and Quadrant III) have one property of either rivalry or excludability.

Table 2: Difference between public goods and private goods

	Rival	**Non-Rival**
Excludable	**Quadrant I** (*Both rival and excludable*) Examples: ➢ Chocolate ➢ Milk ➢ Land *These are pure private goods.*	**Quadrant II** (*Non-rival but excludable*) Examples: ➢ Television Signals ➢ Telephone Network ➢ Higher Education *These are mixed goods.*

trained workforce in the economy, contribution to Research & Development (R&D) and contribution to social development and so on. Due to these types of benefits, all the countries in the world have given top priority to education in their development programmes.

4.3 WHAT IS PUBLIC GOOD?

In a layman's language, public goods are those goods meant for the public and provided by the government. However, in the terminology of economics, public good is not something that is good for the public. Goods, which have the properties such as non-rivalry and non-excludability of consumption, are called public goods. Thus, for ascertaining a good as public good, we have to verify the following two properties of consumption:

(i) Property of Non-rivalry: A good is non-rival when the consumption of the good by one person does not reduce the amount or quality of the good available to all other persons. For example, use (consumption) of streetlight by one person does not reduce the amount of light available for other persons on the street. Thus, street light is non-rival good.

(ii) Property of Non-excludability: A good is non-excludable when we cannot exclude an individual from the consumption of that good. For example, we cannot exclude an individual to use street light available on the street. Thus, street light is also non-excludable good.

From the above discussion, we have understood that street light is public good because the consumption of streetlight is non-rival as well as non-excludable. Similarly, we can also label national defence, peace and security of a country, etc. as public goods.

4.4 DIFFERENCE BETWEEN PUBLIC GOOD AND PRIVATE GOOD:

Unlike public goods, the co.nsumption of private goods is based on rivalry and excludability. For example, a piece of chocolate, because if an

UNIT 4 : EDUCATION AS A PUBLIC GOOD

UNIT STRUCTURE

4.1 Learning Objectives

4.2 Introduction

4.3 What is Public Good?

4.4 Difference between Public Good and Private Good

4.5 Whether Education is Public Good or Private Good?

- 4.5.1 Education as Public Good
- 4.5.2 Education as Mixed Good
- 4.5.3 Education as Merit Good

4.6 Lets Us Sum Up

4.7 Further Reading

4.8 Answers to Check Your Progress

4.9 Model Questions

4.1 LEARNING OBJECTIVES

After going through this unit, you will be able to

- state what public good is
- explain under what conditions a good is called public good
- state the difference between public and private good
- explain whether education is public good or merit good or mixed good

4.2 INTRODUCTION

Education is one of the important factors of economic development in the underdeveloped and developing countries in the world. Available literature shows many of the important contributions of education such as-contribution to human capital formation through supplying highly skilled and