

Types of Goods

Types of Goods - Related to Income:

inferior good: goods for which *demand decreases* as *consumer income rises*. Thus, it's "income elasticity" will be negative. Example: Inter-city bus service and inexpensive foods such as bologna, hamburger, and frozen dinners.

normal good: goods for which demand *increases* as consumer *income rises*. Thus, it's "income elasticity" will be positive. Most goods are normal goods, hence the name "normal."

superior good: goods that will tend to make up a *larger proportion* of consumption as *income rises*. As such, they are an extreme form of normal good. Thus, a superior good's "income elasticity" will be both positive and greater than 1. A superior good might be a luxury good that is not purchased at all below a certain level of income, such as a luxury car.

luxury good: a more colloquial term that is synonymous with "superior good."

Types of Goods - Related to Price:

ordinary good: goods for which *quantity demanded increases* as the price for the good *drops*; conversely, *quantity demanded decreases* as the price for the good *increases*, ceteris paribus (all other things being equal).

Giffen good: a good that will experience an increase in quantity demanded in response to an increase in price. In order to be a true Giffen good, price must be the only thing that changes to prompt a change in quantity demand. Conspicuous consumption (such as found with Veblen goods) is not a factor. The classic example is of inferior staple foods, whose demand is driven by poverty that makes their purchasers unable to afford superior foodstuffs. As the price of the cheap staple rises, consumers can no longer afford to supplement their diet with superior foods, and must consume more of the staple food.

Veblen good (aka ostentatious goods): often confused with Giffen goods, Veblen goods are goods for which increased prices will increase quantity demanded. However, this is not because the consumers are forced into buying more of the good due to budgetary constraints (as in Giffen goods). Rather, Veblen goods are high-status goods such as expensive wines, automobiles, watches, or perfumes. The utility of such goods is associated with their ability to denote status. Decreasing their price decreases the quantity demanded because their status-denoting utility becomes compromised.

Types of Goods - Related to Consumption Ability:

rival good (aka rivalrous good): goods whose consumption by one consumer prevents simultaneous consumption by other consumers. For example, food, cars, and clothing.

nonrival good: goods that may be consumed by one consumer without preventing simultaneous consumption by others. Most examples of nonrival goods are intangible goods. For example, television and radio are nonrival goods.

excludable good: goods or service that enable a seller to prevent non-paying customers from enjoying the benefits of it. Market allocation of such goods is feasible. Examples: public transportation, haircuts, movie theatre, food, clothing, housing, rental accommodations.

non-excludable good: goods or service whereby it is impossible to prevent an individual who does not pay for that thing from enjoying the benefits of it. Market allocation of such goods is not feasible. Examples: beautiful scenery, fresh air.

public good: goods that are non-excludable as well as non-rival. This means it is not possible to exclude individuals from the good's consumption. Fresh air may be considered a public good as it is not generally possible to prevent people from breathing it. However, technically speaking such goods should be called pure public goods.

private good: goods that are both excludable and rival. Example: bread (eaten by a given person cannot be consumed by another [rival], and a baker can refuse to sell [excludable]).

club good: goods that are excludable but non-rivalrous, at least until reaching a point where congestion occurs. Examples of club goods would include private golf courses, cinemas, cable television, access to copyrighted works, and the services provided by social or religious clubs to their members.

common-pool resource: goods that are non-excludable but rivalrous. Examples of common-pool resources include irrigation systems, fishing grounds, pastures, and forests. A pasture, for instance, allows for a certain amount of grazing to occur without the core resource being harmed. In the case of excessive grazing, however, the pasture may become more prone to erosion and eventually yield less benefit to its users. Thus, the core resource is vulnerable to the problems of congestion, overuse, pollution, and potential destruction unless harvesting or use limits are devised and enforced.

| | Excludable | Non-Excludable |
|---------------|--|--|
| Rivalrous | Private goods <i>food, clothing, toys, furniture, cars</i> | Common pool resources <i>water, fish, hunting game</i> |
| Non-rivalrous | Club goods <i>cable television</i> | Public goods <i>national defense, terrestrial television</i> |