### Property Rights

# **Private Property**

- Individuals and private businesses, not the government, own most land and capital goods.
- The right to own private property (property rights) provides incentives to owners to take care of the property and to invest in it.
- Encourages the efficient allocation of resources and economic growth.

If no one owns the property or resource (public instead of private) is there an incentive to take care of it?

• The absence of property rights leads the resource to be overused and polluted.

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- **bl**much paper is produced **b**en there is no pollution?
- Mult is the price of a unit of paper here there is no pollution?
- **Ny** does the MPC curve lie below he MS curve haven the paper companies pollute the river?
- **bl**whuch paper is produced been the paper companies dump their asste products into the river?
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Negative Production Ext



Negative Consumption E



Positive Consumption Ex



Positive Production Ex



#### Government Intervention

# To correct positive externalities:

- Subsidies
- Government/public provision

## To correct negative externalities:

- Direct controls/regulations
- Specific taxes
- Assign/reassign property rights

#### Public vs. Private Good

# Public Good:

#### Non-excludable

People cannot be excluded from the benefits of a good or service even if they do not pay for it.

People who receive the benefit of a good but don't pay for it are called free riders.

#### Non-rival or Shared Consumption

One person's use or consumption of a good or service does not reduce its usefulness to others.

# **Private Goods:**

• Pure private goods are exclusive and rival.

Some goods have elements of both private goods and public goods. They do not fall into neat boxes but show degrees of non-exclusion and shared consumption.

- common-pool noen-esxclusive,crieab
- toll -gencelous dives, non-rival

Lorenz Curve Compariso



### Gini Coefficient Compar Countries

Gini Coefficients for Selected Countries	
Country	Gini Coefficient
South Africa	0.63
Mexico	0.45
Philippines	0.42
United States	0.41
Iran	0.40
China	0.38
New Zealand	0.36
Sweden	0.29
United Arab Emirates	0.26