

Common Pool Resources



Assessment Objectives

Specific Expectations	
AO2	Explain the meaning of common pool resources in terms of the concepts of rivalry and non-excludability and in terms of tragedy of the commons.
AO2	Explain the meaning of unsustainable production

Common Pool Resources

- **Common pool resources** resources that are not owned by anyone, do not have a price, and are available for anyone to use without payment.
 - ▶ **Examples:** Lakes, rivers, fish in the open seas, open grazing land, ozone layer.
 - ▶ Their depletion or degradation leads to environmental unsustainability.
 - ▶ Common pool resources are **rivalrous** but **non-excludable**.
 - **Rivalrous** is a characteristic of a good according to which its consumption by one person reduces its availability for someone else.
 - **Excludable** is a characteristic of goods according to which it is possible to exclude people from using the good by charging a price for it; if someone is unwilling or unable to pay the price they will be excluded from using it.

Public and private goods

- **Public goods** are goods which are **non-rivalrous** (its consumption by one person does not reduce consumption by someone else) and **non-excludable** (it is not possible to exclude someone from using the good).
 - ▶ Since it is not possible to exclude someone from using the good even though they do not pay for it, firms do not have an incentive to produce it.
 - ▶ Public goods may give rise to the “**free rider problem.**” A free-rider is a person who receives the benefit of a good without paying for it.
 - ▶ This is a type of market failure.
 - ▶ Public goods are therefore provided by the government.
 - ▶ **Examples:** Libraries, national defence, lighthouses, street-lamps, and clean air.

Public and private goods

- **Private goods** are goods which are **rivalrous** (consumption by one person reduces consumption by someone else) and **excludable** (it is possible to exclude someone from using the good).
 - ▶ Ownership is restricted to the group or individual that purchased the good for their own consumption.
 - ▶ **Examples:** Sports cars, laptops, and cellphones

	Excludable	Non-Excludable
Rivalrous	Private goods Examples: Clothings, restaurants	Common goods Examples Fish, timber
Non-Rivalrous	Collective goods Examples: Movie theatre, internet	Public goods Examples Lighthouse, air

Tragedy of the commons

- **Tragedy of the Commons** is a dilemma arising from the situation in which multiple individuals, acting independently and rationally consulting their own self-interest, will deplete a shared limited resource, even when it is clear that it is not in anyone's long-term interest for this to happen.
 - ▶ The solution to the tragedy of the commons is to make the commonly held resource private property.
 - ▶ Economies depend on resources and we must be careful how we manage them.
 - **Sustainability** refers to the use of resources in ways that do not result in fewer or lower quality resources for future generations.
 - **Unsustainable production** production that uses resources unsustainably, leading to their depletion or degradation.

Tragedy of the commons

- Sustainable resource use means that resources are used at a rate that allows them to reproduce themselves, so they do not become degraded or depleted.

