GOODS

Commodity or service, which gives satisfaction to human beings on consumption is called good.

Types of Goods

Free Goods and Economic Goods

Free goods do not bear a price because their supply is more than the demand (S > D) So, the customer does not exchange it for consumption. Example: Sunlight. Free goods are also called non-economic goods.

Economic goods are less in supply than the demand (D > S) and so, they are exchanged.

Some goods become economic or free depending on the person, place, or situation. If a mother looks after her child, it is a non-economic or free good because the mother is not going to get anything in return but if a child is looked after by a nanny, it becomes an economic good because she is going to get money for her services.

Similarly, Sand is a free good near a river or beach but becomes an economic good near the construction site.

Types of goods **("use" based classification)**

- **Consumer goods**
- **Capital goods**
- **Intermediate goods and services**

Consumer goods – All those goods and services used for the ultimate satisfaction ofthe households are called consumer goods. Example: car used by households.

Capital goods – All those goods used for further production of goods are called capital goods. Example: Tractor used by Farmer.

Intermediate goods and services – All those goods and services used for further production of goods and services which get completely exhausted during the production process are intermediate goods and services. We do value addition to the intermediate goods to make them a final/processed good.

Whether a good is a final good or an intermediate good depends upon the interpretation of its use. For example, the bread used by households is a final good but not necessarily for a restaurant.

Transferable Goods and Non-transferable Goods

Land or building of an individual, which can be transferred to another person, are transferable goods and a person's qualities such as the beauty of a model, knowledge of a teacher and technical skills of an engineer are non-transferable goods.

Goods can be related to each other as substitutes or complementaries.

Substitute goods: These are goods that can be used alternatively. For example, tea and coffee, Pepsi and coke, etc.

Imagine a rise in the price of tea. What will be its impact on the quantity demanded for coffee? A rise in the price of tea means consuming tea becomes expensive to the consumer and thus he may want to shift to some other cheaper alternative, that is, tea. Therefore, a higher price for tea lowers its quantity demanded but increases the quantity demanded for coffee.

Hence, we observe a direct relationship between price and quantity demanded for substitute goods.

Complementary goods: These are the goods that are used simultaneously to satisfy a common purpose. For example car and petrol.

Imagine a rise in the price of petrol. What will be its impact on the quantity demanded of car? A rise in the price of petrol means driving cars now become costlier to the consumer. The consumer might prefer travelling by public means of transport or any other means. This therefore lowers the quantity demanded for cars.

Hence, we observe an inverse relation between price and quantity demanded for complementary goods.

Material Goods and Non-material Goods

All those goods like land, water, agricultural products, mining, and fishing or goods like buildings, and machinery, which are tangible and have physical existence are called material goods.

On the other hand, goods that are intangible as one's own qualities and abilities; are called non-material goods. Non-material goods may be internal such as muscular strength, business ability, and professional skill, or external, such as beneficial relations with other people, goodwill etc.

Normal Goods, Inferior Goods, and Giffen Goods

Normal goods: Those goods whose quantity demanded rises with rise in income are called normal goods. Example: wheat

Inferior goods: Those goods whose quantity demanded falls with rise in income are called inferior goods. For example, commodities used by poor households.

As income of those households increases, they switch over to superior goods. So, demand for inferior goods decreases. One of the examples is millet, which is an inferior type of cereal which is consumed by poor households. When income of the households which are using millet increases, they switch over to superior substitutes, and consequently demand for millet decreases.

In consumer theory, a **Giffen good** is one which people paradoxically consume more as the price rises, violating the law of demand.

Public Goods and Private Goods

A public good is both non-excludable and non-rivalrous as no individuals can be excluded from its use and use by one individual does not reduce its availability for others. Examples of public goods include roads, rivers, etc.

a private good is owned by a person who gets its benefit and can prevent others from using or consuming it. It is rivalrous as consumption by one necessarily prevents others from consuming it.

	Excludable	Non-excludable
Rivalrous	*Private goods*: Food, house, property	*Common goods*: timber, mineral
Non-rivalrous	*Club goods*: Library, theatre	*Public goods*: Air, road, river