## Key Terms

external benefits (or positive externalities)

beneficial spillovers to a third party of parties, who did not purchase the good or service that provided the externalities

free rider

those who want others to pay for the public good and then plan to use the good themselves; if many people act as free riders, the public good may never be provided

intellectual property

the body of law including patents, trademarks, copyrights, and trade secret law that protect the right of inventors to produce and sell their inventions

nonexcludable

when it is costly or impossible to exclude someone from using the good, and thus hard to charge for it

nonrivalrous

even when one person uses the good, others can also use it

positive externalities

beneficial spillovers to a third party or parties

private benefits

the benefits a person who consumes a good or service receives, or a new product's benefits or process that a company invents that the company captures

private rates of return

when the estimated rates of return go primarily to an individual; for example, earning interest on a savings account

public good

good that is nonexcludable and non-rival, and thus is difficult for market producers to sell to individual consumers

social benefits

the sum of private benefits and external benefits

social rate of return

when the estimated rates of return go primarily to society; for example, providing free education