

Working Paper:

The Multi-Layered Framework of Economic Goods –
An Extended Economic Goods Framework Incorporating
Property Rules, Liability Rules, and Externalities

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Abstract

The traditional fourfold classification of economic goods, consisting of *public goods*, *private goods*, *club goods*, and *common goods*, faces two central limitations: its simplicity fails to capture the full complexity of real-world goods, in particular for the dimension of excludability, and it leaves conceptual ambiguity for impure types of goods that are neither purely public nor purely private.

This paper argues that this conceptual ambiguity has led to an inconsistent application of the terms *impure public goods* and *impure private goods* and, in consequence, has further resulted in an inconsistent choice of theoretical modelling approaches in the applied economic literature.

To address this conceptual gap, this paper proposes unambiguous definitions of impure public and impure private goods grounded in the legal protection of their underlying entitlements. Building on Calabresi and Melamed's distinction between *property rules* and *liability rules* and on Demsetz's theory of property rights, *impure public goods* and *impure private goods* are clearly separated within an extended version of the traditional framework of economic goods - the *Multi-Layered Framework of Economic Goods*.

By accounting for dynamic aspects of rivalry and excludability, with a particular focus on the relationship between excludability and externalities, the *Multi-Layered Framework of Economic Goods* facilitates a more granular classification of resources into the economic goods typology, and further provides guidance on theoretical modelling approaches for different types of goods.

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