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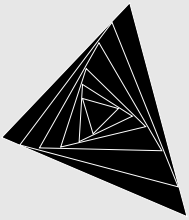
Concepts: Rethinking *Public*, *Global*, and *Good*



Many problems related to globalization involve the provision of global public goods. When farmers in developing countries protest unfair trade, they demand reforms in the multilateral trade regime—a global public good. When protesters in Genoa (Italy) and Washington, D.C., advocate reforms in the international financial architecture, they are pursuing the global public good of international financial stability, which affects all countries. And when environmentalists call for the easing of pollution pressures on the atmosphere, they are asking that a social choice be made not to overconsume this global common.

Underpinning all these policy challenges are basic questions on how to structure the global public domain: Which goods should be made public, and which private? And which should be globalized, and which left in the national domain? Making informed policy decisions on these questions requires a clear concept of global public goods—indeed, a clear concept of public goods. Clarifying concepts is not just an academic exercise. Concepts influence how the world is viewed. They shape human expectations and actions. Conceptualizing public goods goes to the root of how globalization is perceived—and of whether it is seen as manageable or unmanageable. Thus this volume begins with five chapters that explore and expand the concept of public goods.

Meghnad Desai starts with a discussion on the history of the theory of public goods as well as the history of state provision of private as well as public goods. He notes that the theory of public goods is of fairly recent origin. Paul A. Samuelson laid its analytical foundation in the mid-1950s. At that time the world favored a strong role for the state. This approach continues to be reflected in public goods theory and has encouraged a frequent equation of public goods with state-provided goods. Yet Desai observes that public goods have been provided since the Middle Ages. In a way they predate the nation-state. And just as throughout history, over the past 50 years notions of public and private and of the role of the state have changed—and been contested and embattled. The statist notion of public goods belongs to a particular historical era, one that is about to end or that is already over. Thus the debate on global public goods cannot presume that public goods are a settled issue and that all that is required is to extend existing concepts from the national to the

international level. The theory of public goods needs to be revisited and updated in light of current political realities.

Building on Desai's analysis, Inge Kaul and Ronald U. Mendoza discuss the concept of public goods, then consider global public goods. Their starting point is that the privateness and publicness of goods are social constructs. Departing from conventional practice, they propose an expanded two-tier definition of public goods that distinguishes between a good's potential for publicness and its being de facto nonexclusive and available for all people to consume. Anchored on this definition, but not part of it, Kaul and Mendoza offer a novel tool for analyzing public goods: the triangle of publicness. The triangle suggests capturing and comparing three dimensions of publicness. The first is publicness in consumption: is the good consumed by all? The second is publicness in net benefits: are the net benefits of the good equitably distributed? The third is publicness in decisionmaking: who decided to place the good in the public domain? Turning to global public goods, the authors state that a public good is global if its benefits (or costs) cut across countries in several regions and across current and future generations, and do not discriminate against any population group. To help make the concept of global public goods operational, Kaul and Mendoza also propose typologies of these goods.

Agnar Sandmo takes a further step toward extending public goods theory to the international level. Based on Samuelson's "The Pure Theory of Public Expenditure" (Review of Economics and Statistics, 1954), he shows how the theory of pure public goods can be generalized to an international setting. The analysis reveals that pursuing global production efficiency may result in inequity. Global production efficiency may call for developing countries to contribute more to a global public good—such as preservation of rain forests or biodiversity—and for industrial countries to contribute less. In the absence of income transfers, developing countries could suffer welfare losses. If this is considered undesirable, equity and efficiency considerations should go hand in hand internationally.

This balance between equity and efficiency is at the heart of many debates on globalization and global public goods. But in many cases there is also concern about the adequacy—or inadequacy—of a good's provision. In his chap-

ter Todd Sandler explains that searching for a measure of optimal provision is like searching for the Holy Grail. Considering the nature of a good's benefits and the aggregation technology of its provision, it is possible to identify public goods at risk of being underprovided. But it is extremely difficult to measure optimal provision—that is, whether a community's demand for an additional unit of a public good is equal to the amount it is willing to pay for that unit. Thus Sandler proposes an alternative: an index of optimality that assesses the extent to which public goods are provided by clubs, based on the assumption that club goods tend to be optimally provided. Yet even the measurements required for this index are difficult to generate.

Finally, the chapter by Pedro Conceição approaches the provision issue in a different way. He points out that the current notion of optimal provision is based on aligning state spending with aggregated voter and taxpayer preferences. But a public good that is optimally provided from this perspective can be underprovided, at high cost to society. For example, underprovision can occur if voters or taxpayers lack information about a good and demand that the state underinvest in its provision. Thus Conceição recommends using technical assessments to determine the provision status of global public goods—and if a good's provision is deficient, exploring the costs of underprovision and of corrective actions. The message, based on assessments of selected global public goods, is that the costs of underprovision are generally many times the costs of corrective actions. Moreover, the costs of corrective actions decline over time and eventually disappear once a global public good is adequately provided—while the costs of underprovision persist and may even increase.

Public Goods: A Historical Perspective

Meghnad Desai

The current debate on global public goods relies largely on the theory of—and political experience with—the provision of national public goods (see Cornes and Sandler 1996; Kaul, Grunberg, and Stern 1999b; and Sandler 1997).[1] This approach creates two problems. First, the current theory of national public goods is statist: it assigns state institutions an important role in making decisions about public goods and in financing and producing them. In fact, public goods are often defined as being provided by the state, and the provision of these goods is seen as one of the main rationales for the existence of the state. Internationally, however, there is no equivalent to the institution of the state.

Second, while the theory of public goods assumes this role for the state, state functions have changed considerably over the past three decades—as have the goods (and services) provided by the state. Questions about state functions started with critiques of Keynesian policies and spread to a general critique of the role of the state (see Buchanan and Musgrave 1999 for a discussion of the many issues involved). As a result notions of public and private have been rethought, though in many cases they have only been queried and not yet recast. So politicians and the public at present may have clearer ideas about what should be private and "in the market" than about what is meant by the notion of public goods. This poses a second dilemma for the debate on global public goods: for the debate on such goods to advance, it must continue to occur at the national level rather than be presumed to be settled there.

Nationally, the responsibility for providing public goods is often decentralized to subnational government entities. Internationally, a similar plurality of unilateral and bilateral agencies are engaged in international cooperation and global public goods provision. And both nationally and internationally, nonstate actors are increasingly involved in these activities. Private and voluntary provision of public goods is also becoming more common, as are public-private partnerships. Thus today's polity and public goods provision have a neomedieval character (Keane 2001). Multiple authorities of varying power are involved at different levels of jurisdiction. And internationally, the United Nations plays an overarching but not sovereign role not unlike that performed by religious institutions—such as the Catholic Church—in earlier centuries.

Thus this chapter opens the debate and examines public goods from a historical perspective, exploring the history of the theory of public goods as well as the broader history of their provision by the state. The analytical history involves classical writings in public finance since the late 19th century, when the issues were crystallized in a discussion on the proper role of the state (Musgrave and Peacock 1958). Along the way the chapter also examines the actual history of how the provision of public goods grew within the broader framework of an expanding role for the state in making public provision for private as well as public goods. This broader framework concerns three main issues:

- *Preference revelation*—what goods the public wants in the public domain and what it is willing to pay for them.
- *Political bargaining*—how decisions are made on which goods to include in the public domain, how much of these goods to include, and how to make them accessible to all.
- *Production* of these goods by public or private agents.

In what follows, these three processes are referred to as the three Ps of public goods provision.

A BRIEF HISTORY OF THE THEORY OF PUBLIC GOODS

The theory of public goods has fairly recent origins. Its analytical foundations were laid by Paul A. Samuelson in his 1954 article, "The Pure Theory of Public Expenditure." But the literature Samuelson could have drawn on was produced no earlier than the late 19th century in Austria, Italy, and Sweden. Though lean and elegant, Samuelson's contribution and others that followed it beg serious political questions.

For example, the discussion assumes that the community of consumers has a well-functioning, formal state structure. Like a benevolent dictator, this state somehow guesses the preferences that people have for public goods. Another common assumption is that public goods are financed by the public treasury. It is also assumed that the state can produce public goods or find efficient private agents to do so. Moreover, public goods are analyzed in close analogy with private goods. Hence the notion of excludability emerges as a crucial differentiating element. This setup presumes well-defined property rights for private goods and, by extension, for access to and use of public goods.

These statist aspects of the public goods notion are rooted in the Austrian-German and Italian political economy tradition of the late 19th century, when the main concern was the crown's obligation to ensure the welfare of its subjects. It then quickly developed into a discussion of how a democratic polity would decide on the same question. Adolph Wagner started the debate but was soon followed by Erik Lindahl, Knut Wicksell, and others (see the articles by Lindahl, Mazzola,

Sax, Wicksell, and Wieser in Musgrave and Peacock 1958). Richard A. Musgrave, in his Ph.D. thesis and subsequent article in the *Quarterly Journal of Economics* (Musgrave 1939), drew attention to this problem of collective (as he called them) goods.

When Samuelson took up the concept in the 1950s, economists and the world at large favored an active role for the state in the economy (Samuelson 1954, 1955, and 1958, all reprinted in Samuelson 1966). Keynesian macroeconomics and Pigouvian welfare economics were basic to the paradigm, and many countries practiced planning and state control of the economy. Thus it was in a way natural to presume a large role for the state in the provision of public goods. Such a role was a response to a presumed preference on the part of the public for public goods.

But many things have happened in the nearly 50 years since Samuelson wrote his seminal piece. First, our analytical understanding of public goods has deepened. We now recognize a larger array of goods as public goods and differentiate among, for example, pure, impure, and club goods and joint products as well as between public goods and externalities (Cornes and Sandler 1996). In addition, the notion of public goods has been extended to the global level (see Kaul, Grunberg, and Stern 1999a and Sandler 1997).

At the same time, we have learned from the theory of public choice and new political economy as well as from bitter political experience that the provision of public goods does not take place in a neutral, politics-free public space. The issue of public or private goods is contested, as is the larger issue of the role of the state. Instead of public-minded altruistic citizens, we have logrolling, "pork barreling," free riding, overgrazing of the commons, and Coasian theorems, which suggest that clear property rights will provide the incentives needed for mutually beneficial exchanges and relations among individual actors.

Public goods and the three Ps noted above constitute an embattled area (for an early warning shot in this battle, see Buchanan 1960). Instead of elastic financing of public goods, there is political bargaining. There is also the perennial problem of the revelation of public preferences for public goods and of people's willingness to pay. These issues have been ignored in some approaches, particularly Samuelson's. But the difficult issues they raise cannot be ignored.

Although the notion of public goods has a strong analytical tradition, its contested nature in the national domain carries over into the international realm. Thus to improve the provision of global public goods, we need to find a different way of discussing the issues summed up by the three Ps. A historical look at public provision is helpful in this regard.

A HISTORICAL ACCOUNT OF PUBLIC PROVISION

Let us perform a mental experiment. Consider the world before states became the efficient fiscal machines they are today. In the late 18th century—Adam Smith's

days—the British state spent almost all its money waging war or servicing debt incurred in previous wars. The French state—the *ancien régime*—could not even raise enough funds to cover defense expenses. "Premodern" states produced few public goods; their primary concern was national security. The question is, how were citizens' needs for the other kinds of things now grouped into the category of public goods met in those days, before the state did so?

The 13th through 17th centuries

Many things now taken for granted as public goods or even publicly provided private (that is, excludable) goods were in earlier days either not provided (as with public sanitation) or provided through voluntary or private action. For example, in the 13th and 14th centuries hospitals were run and funded privately by churches or charities. But such hospitals were often motivated not just by compassion but also by fear of infection and death (see Cipolla 1973). Similarly, poorhouses were born not merely out of charitable considerations but also out of concerns about public health and protection against crime and social unrest (Mollat 1986, pp. 119–57). During that time towns were often invaded by rural poor people, notably during famines (Braudel 1992; Walter and Schofield 1989).

Similarly, today people are used to thinking at the national level, where there is some uniformity in the quality of public goods provided. That is not how goods were provided in the medieval polity. The amount and quality of provided goods varied widely depending on a town's economic situation or, even more frequently, on the relationship between a lord and vassal or tenant or on kinship ties (Walter and Schofield 1989). In a city such as Avignon (France) in the 14th century, Tuscan merchants, for example, lived close together and were responsible for one another's debts. This is because they were foreigners in France.

But serious epidemics—notably the 1348 Black Plague in Europe—set in motion initiatives with characteristics of public goods, initially often at the level of a town but also increasingly reaching beyond. These included such public health efforts as sanitation (Walter and Schofield 1989, p. 64), quarantine (Herlihy 1997, p. 71), and the introduction of health certificates, as in Germany and Spain (Braudel 1992, p. 85).

The growth of capitalism gave further impetus to the emergence of a modern state. In its early phases mercantile capitalism and the mercantilist kingdom went hand in hand. Notably, in the 16th century states often sponsored or owned trading companies and invested in nautical training, shipbuilding, and arms manufacturing. The challenge in such cases was finding the needed resources. Taxation powers sometimes became more centralized, as in England. In addition, surpluses were mobilized through trading with or looting of (for Europeans at least) far-flung parts of Africa, Asia, and the Americas. Yet there was no strict separation between a king's treasure and a state's revenues. As feudalism declined in Western Europe in the late 18th century, kings became increasingly responsible for financ-

ing armies, and war was a major cause of spending. Yet war was also one way of enhancing territory and so a king's treasure (Anderson 1976; Cameron 1997).

Thus during this period the role of the state and public goods initiatives emerged primarily in response to the interests of rich, powerful population groups. To the extent that such initiatives reached poor people, it was the result more of political compulsion than of concern for all. Society was still too fractured for that.

The 18th and 19th centuries

The industrial revolution of the late 18th century, in parallel with twin political revolutions in France and North America, changed the nature of the state. Industrial capitalism created mass working populations concentrated in urban agglomerations where steam power was harnessed to produce textiles and other products. The French and American Revolutions created the notion of the citizen as a source of political power whose approval was vital for the legitimacy of any rule. Wealth was created that surpassed that of kings, and many European kings saw their possessions "privatized" by political upheavals. Far from being sources of wealth, kings and states became supplicants for revenues (Goldscheid 1958 [1889]).

During the 19th century Europe's population tripled and urban concentrations rose everywhere. The externalities, or public bads, caused by crowded populations became too costly for church institutions, private capitalists, and other rich population groups to bear. In England a series of famines and food riots led to demands for a central Poor Law (Randall and Charlesworth 2000). Here and elsewhere in Europe there were growing demands for popular elections to the legislature whether a country was a republic or a monarchy (Rude 2000). It was during this era that governments increasingly entered into international cooperation agreements on transport and communication as well as health issues such as quarantine (Cooper 1989, pp. 193–203).

These types of states began to provide merit goods through the public treasury. Adam Smith (1937 [1776]) had made a powerful plea for the state to provide education and training to overcome the debilitating effects of the division of labor in modern factories. To the plea for education were added calls for urgently needed urban infrastructure—roads, water, sanitation, housing, transport. The state started by being minimalist, providing water and sanitation but not housing and transport.

But this provision was not automatic. It had to be fought for by reformers, political movements, trade unions, and health and sanitation experts. Private charities often exposed the poverty and ill health prevailing amid vast wealth. As the franchise spread, the pressure to deliver such facilities also grew. The 1832 Reform Act in Britain was followed by further extension of the franchise in 1867 and 1884. Urban areas increased their representation in parliaments. The 1830 and 1848 rev-

olutions in France were also effective in putting popular demands on the state's agenda. Fear of the urban proletariat led enlightened politicians like Germany's Bismarck to preempt agitation by creating a welfare state while denying democratic rule. A mix of public and merit goods was provided across these polities.

These goods were public in only one sense. They were not always nonexcludable or nonrivalrous in the sense that those terms are understood today. Their nonprovision had externalities that were largely negative. In addition, they affected large groups of people in small areas. Thus they were public in the sense that they were almost universally beneficial or at least beneficial for a large group. The first such goods in modern times were oriented toward urban, working class citizens. Fear of the mob—of fast-growing urban populations—made European states provide such goods even while they preached the doctrine of laissez-faire and balanced budgets. Thus it was a question not so much of gauging the preferences of consumers as of guessing what was needed to keep them from revolting—an elite response to democratic but extraparliamentary pressure.

The 20th century

The decisive breakthrough in public provision came in the 20th century with the advent of universal franchise in industrial countries. As a result the state's share in GDP rose from about 10 percent in 1870 to its current 30 percent in the United States and southern Europe, 40–50 percent in France, Germany, and the United Kingdom, and even higher in Scandinavian countries (Tanzi and Schuknecht 2000).

The state's growth was most marked during the "golden age" of Keynesianism, from 1945 to 1975. Higher incomes and higher public revenues were matched by growing populations with higher expectations of public provision. Public provision changed on three fronts:

- Goods and services already publicly provided, such as roads and education, were provided more generously and more widely.
- Public provision was extended to new areas, such as health, housing, higher education, and social services.
- Transfer payments were made to new claimants, and enhanced payments to old claimants, through pensions, social security, and poverty-related benefits.[2]

The theory of public goods—indeed, of public economics—matured during this period.

But this period was exceptional, not normal. Inflation was low for the first half or two-thirds of this period. There was growing demand for unskilled and semiskilled (blue collar) workers. Women were not major participants in the labor market. The growth in industrial workers led to growth in their unions and in their influence on national politics across OECD countries. But beginning in the late 1960s, inflationary pressures hit OECD countries almost simultaneously. The

prices of public goods began to rise faster than the prices of private goods.[3] There was a fiscal crisis.

This crisis was exacerbated by the rise in oil prices in 1973. Because income tax thresholds were not indexed, far more people were caught by the direct tax net—leading to tax revolts across OECD countries. There began a questioning first of the need for transfer payments and then of the need for public provisioning of public goods. Thus the three-pronged process was reversed in the 1970s and 1980s. Privatization and outsourcing shrank the goods and services provided in the public domain. Moreover, the goods provided were less generously funded: payments were not indexed, and quality was not maintained. For transfers, the conditions of entitlement were tightened. In many countries pensions became less generous and fell relative to average income and sometimes even in absolute terms. (For an overview of the events of this era and the response to them by economists, see Galbraith 1987.)

All these events occurred through a democratic political process. In some complex way the preferences of the public—taxpayers and voters—were gauged by political parties to have changed. Electoral success was gained by lowering the provision of public goods. So while the theory of public goods was being developed in analytically challenging ways, the practical side of public goods was changing because of political considerations. The reason is that, far from being a neutral technical process of summing up preferences and locating the optimal solution through a social welfare function, as in Samuelson's characterization, the provision of public goods is a political process—one influenced by elections and mediated by political parties.

A FURTHER EXAMINATION OF THE THEORY OF PUBLIC GOODS

Neoclassical economics is notoriously ahistorical. Thus the theory of public goods starts with Samuelson, and while he provides many citations in his three seminal articles of the mid-1950s, not many economists bother to examine them. So let us now take another look at the literature before Samuelson's contribution.

The volume *Classics in Public Finance,* edited by Richard A. Musgrave and Alan Peacock in 1958, can be our reference. It sets out the evolution of the concept of modern public finance in the works of Wagner, Panteleoni, Sax, Weiser, Mazzola, Wicksell, and Lindahl. There is also a "sociological" discussion of public finance by Goldscheid and Ritschl. These articles treat the state and public finance not as hard and settled notions but as contingent and problematic, which is precisely the approach needed in any discussion of global public goods. But it is also worth looking at modern, post-Samuelson literature about public choice and constitutionalism, about preference revelation and agenda limitation. (For a recent "*duo*logue" between two giants of public economics on these issues, see Buchanan and Musgrave 1999.)

After the medieval era of feudalism in Western Europe, there was a rise of absolutist monarchies in some areas—England, France, the Hapsburg Empire in the 16th century (Ertman 1997). This is when the king's need for resources to fight wars became a serious concern of economists. Mercantilism, for example, wished to harness a monopoly of foreign trade to the king's treasure. As Goldscheid (1958 [1889], p. 203) notes: "The earliest form of the science of public finance was chrematistics, which [sought] to enrich the prince's treasury. If those early financial experts occasionally tried to identify the wealth of the prince with the well-being of the people, they did so in a purely incidental manner."

The rich prince with many possessions gave way to a world in which his properties were appropriated by private capital. This coincided with the rise of early capitalism. Once the prince's wealth had been transferred to private hands, what emerged was the state, which was poor in terms of wealth. The state had to use taxation to pay for its demands or the demands made on it by the people.

But then there arose the question of the basis on which the state was to tax. By the time Wagner was writing in the late 19th century, democratization was spreading across Europe. So the question was of the principles the state should follow in spending its revenue. It was in searching for these principles that economists began to use the twin principles of methodological individualism and utility maximization. In this view the state is not a compulsory association but a voluntary coming together of self-interested individuals. Thus the same theory that explained the determination of demand and supply in the private economy should apply to the public economy.

These assumptions are now taken to be axiomatic. But not everyone agreed in these early debates. In a spirit some distance from methodological individualism, Stein (1958 [1885], p. 29) wrote:

> *The strength of the community resides in what each individual surrenders to it from his personal life—material, spiritual and social matters. It is thus . . . impossible that the community should offer the individuals the conditions of economic accomplishment, unless the individuals return to it part of their earnings made possible by the very existence of the community. As long as human beings and nations exist, this reciprocal process will continue, even though the individual may neither want it nor even be aware of it. This is the economic principle of human society.*

But if this special reciprocal relationship between the individual and the state and its associated doctrine of the dual (communal and individual) nature of human personality is rejected, then justification of public spending has to be based on marginalist principles. Mazzola began to develop this notion in his 1890 article, and Wicksell improved on it in his 1896 article. Wicksell saw that using the

individualist marginal calculus, as in the private goods exchange, may produce "meaningless" results. As he states (1958 [1896], pp. 81–82):

> *If the individual is to spend his money for private and public uses so that his satisfaction is maximized, he will obviously pay nothing whatsoever for public purposes. . . . Of course, if everyone were to do the same, the State will soon cease to function. The utility and the marginal utility of public services (Mazzola's public goods) for the individual thus depend in the highest degree on how much the others contribute, but hardly on how much he himself contributes. . . . Equality between the marginal utility of public goods and their price cannot, therefore, be established by the single individual, but must be secured by consultation between him and all other individuals or their delegates.*

Note that Wicksell's formulation differs from the one that Samuelson established as the authoritative one. First, Wicksell's individuals may have interdependent utilities, where each person's benefit depends on what everyone else consumes. Second, the equality between marginal utilities and price has to be established by consultation among individuals or "their delegates." This political economy is very different from that which Samuelson assumes.

Samuelson has independent utilities: "I assume no mystical collective mind that enjoys collective consumption goods" (1954, p. 387). But Samuelson posits a social welfare function of the Bergson-Samuelson type. This allows him to aggregate marginal utilities or marginal rates of substitution across individuals. Samuelson called his crucial aggregation condition, his equation 2, "the new element . . . which constitutes a pure theory of government expenditure on collective consumption goods" (1954, p. 388; see also Musgrave 1983, 1986). The most important point is that Samuelson is able to bypass what has come to be known as the revelation of preferences problem. This is because, contrary to his assertions, there is a collective mind, an ethical observer to whom preferences are somehow known (Samuelson 1954, p. 388). Thus the revelation issue is bypassed. All that would be needed in his scenario is for taxes and transfers to "be varied until society is swung to the ethical observer's optimum" (Samuelson 1954, p. 388).

Thus while Samuelson is technically on safe ground in his solution of the public goods problem, the assumptions required make the solution useless for policy purposes. But a reliance on aggregation through consultation, as Wicksell wants, offers a guarantee neither of theoretical efficacy nor of practical usefulness. Some of the debates and doubts about the state's role in the economy that erupted in the 1960s and 1970s arose from these twin problems.

The central problem is of revelation of preferences. How can we make the public reveal its preferences between public and private goods and among public

goods? The Samuelson fiction of pure nonexcludable goods is just that. There are few goods like that, and the allocation of public funds for them is often the least difficult problem. Most public goods are excludable and have externalities but are genuinely beneficial to many people. They are also rivalrous in the sense that one has to choose among them as well as determine the quantity and quality of the provision of those chosen. There is a choice problem and a budget problem. Even for goods such as national security, there can be differences among citizens and their representatives about the optimal level of provision.

This is why the domain of public spending can expand or shrink. At the beginning of the democratic revolution poor people formed a majority in every country. When universal franchise came, the majority expressed a preference for a basic supply of public goods by voting for parties that gave them that. As countries prospered and citizens became richer, their preferences became more sophisticated. They were also able to express their multiple identities in a political way. So instead of a homogeneous electorate with single peaked preferences, there are citizens groups organized along age, gender, and ethnic lines. Their demands for public goods are fragmented by the quality and variety of goods they want. They can afford to opt out of some publicly provided merit goods—such as schooling—because public provision does not satisfy them.

The state supplies many goods. Some are pure public goods of the Samuelson type, such as a judicial system. Some are private goods that have universal benefits and are consumed by specific age groups, such as basic education by children. And some goods are demanded at different intensities by different groups, such as uncongested roads or a pollution-free environment. Consumers calculate over the entire range of available public goods—some for which they have zero demand and others for which they have varying positive demand—whether the taxes they pay are worth the utility they enjoy from the public goods. If consumers determine that the taxes are not worth it, most do not exit from the system. Rather, they agitate and form coalitions. Because their wants are increasingly differentiated, they choose private or club-based rather than collective provision for some goods, then resent paying taxes to finance the provision of goods they are never likely to consume.

As these trends reveal themselves, political parties change their promises so as to build majority coalitions. If once there were large, homogeneous class or occupation blocks of votes that stood behind certain parties, there suddenly appear to be small, fragmented blocks defined by particular loyalties. To build a winning coalition, political parties have to cater to a variety of views, some of them conflicting. Parties describe this as a nonideological approach to politics. The reason is that the parties must accommodate the fragmented demands of many small groups for public goods.

Thus the provision of public goods and citizens' access to them are determined by a much more robust political process than Samuelson's social welfare function

or Wicksell's delegates. Democratic polities have political parties that, acting as imperfect aggregators of citizen preferences, decide budget allocations in a robust—but far from neutral—legislative process. This is where pork barreling, logrolling, and coalition forming come into play. There are no stable, permanent majorities with fixed demands for public goods. This cyclicity of the majority is not a defect, as social choice theorists often conclude. It is the only guarantee that each portion of the public has a chance of getting its turn at the public largesse.

Hence a dual process is now under way. As people become more prosperous, they want a wider and better quality range of goods, some of which can be collectively supplied. They want cleaner air, better human and legal rights, and healthier lifestyles, avoiding the negative externalities of, say, other people's smoking. They do not like to see massacres in faraway lands on their televisions if their government can do anything to help. They want better education for their children and themselves—not just primary and secondary education but tertiary education and lifetime learning. They want safer, less congested roads and safe food and medicine.

But they also want these goods to be supplied at low cost. When surveyed, people often say that they are willing to pay more for their desired public goods, but they vote for anyone promising a tax cut. Politicians promise more efficient delivery of public goods, which means private production and a combination of some free delivery with prices for extra quality or quantity. Thus the three Ps are dealt with in the political process rather than through any technical economic optimizing exercise. The result is suboptimal from a purely economic angle but is sustained by citizens' commitment to the political process and willingness to live within it. (Economists continue to search for the holy grail of the perfect polity, which is one that will follow their notions and rules; for a recent attempt, see Bailey 2001.)

Conclusion

This review of the analytical history of public goods and the history of public provision leads to five main conclusions. First, we need to rethink and reconceptualize—in light of today's socioeconomic and political realities—the notion of national public goods, including the three Ps of public goods provision identified at the outset.

Second, considering how public provision has changed over history, we must reckon with the fact that countries at different levels of development have different preferences for national public goods as well as global public goods. Poor countries still have to provide many national public goods. Intuitively, such countries may attach higher priority to national than to global public goods. We need to explore whether, in today's interdependent world, this is a feasible strategy—or whether poor countries have to simultaneously enhance the provision of national and global public goods that matter to them.

Third, in the provision of global public goods we are in the middle ages or, perhaps more appropriately, in a neomedieval age. Demands for global public goods come from scattered groups around the world. The intensity of their preferences for these goods differs. And to the extent that past experience can serve as a guide to the future, we must expect that action on global public goods will happen only to the extent that the international community faces a crisis and must respond.

Fourth, political parties help people deprived of national public goods press for their concerns more effectively. Internationally, of course, there are no political parties. But civil society organizations could perform internationally some of the tasks that political parties perform nationally, by acting as aggregators of preferences (Anheier, Glasius, and Kaldor 2001).

Fifth, international organizations have little or no coercive power. Thus there are no global taxes as yet. So the financing of global public goods has to be done with the cooperation of nation-states. Citizens and taxpayers in these states will have to realize that these goods constitute national public goods "gone global" as well as traditionally external goods (such as the atmosphere) "gone national"—that is, requiring concerted national-level action for their sustainable management. Citizens and taxpayers will have to lobby their countries to contribute more to the financing of global public goods to which they attach top priority. The United Nations and its agencies have a role to play in this regard. They not only can foster coordination and cooperation—that is, the *production* of global public goods—they also could help on decisions about the other two of the three Ps of global public goods: understanding and expressing *preferences* and ensuring fair and just *political bargaining* about which goods to provide, how much, and with what burden-sharing formula. These are, in short, the issues that the following chapters seek to clarify.

Today it is clear that the statist notion of public goods belongs to a particular historical era—one that we are about to leave or have even already left. Yet during the middle ages private and voluntary provision by the better-off was not a satisfactory solution. It was often a defensive type of doing good. Future efforts to provide public goods and tackle the three Ps can rely in a growing number of countries on an increasingly active and engaged civil society, including more socially concerned businesses and governments aspiring to transparency and accountability. It seems the time has come for the public to be much more directly involved in formulating *preferences,* promoting just *political bargaining,* and contributing to the *production* of national and global public goods, nationally and internationally.

Notes

1. In this chapter national public goods are public goods provided at the national (as well as local) level.

2. Between 1870 and 1995 government spending on subsidies and transfers rose from an average of 1 percent of GDP to about 23 percent, thus accounting for about half of average spending in 1995 (Tanzi and Schuknecht 2000, pp. 6, 31).

3. The price index of publicly provided goods rose faster than privately provided goods. This was called the "wedge." The reasons originally advanced were that publicly provided goods were more labor intensive and the public sector workforce was more strongly unionized. Many governments were not willing to resist wage inflation in the public sector.

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