

Why societies need public goods

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The most distinctive features of public goods are usually understood to be the difficulty of excluding potential beneficiaries and the fact that one appropriator's benefits do not diminish the amount of benefits left for others. Yet, because of these properties (non-excludability and non-rivalry), public goods cause market failures and contribute to problems of collective action. This article aims to portray public goods in a different light. Following a recent reassessment of public goods in political philosophy, this contribution argues that public goods are particularly suitable for sustaining a well-ordered society. Public goods contribute to social inclusion, they support the generation of the public, and they strengthen a shared sense of citizenship. This article scrutinizes these functions of public goods and offers a discussion of the interventionist thesis which states that governments should sustain public goods.

Keywords: public goods; social justice; social inclusion; connectivity good; citizenship

Introduction

About half a century ago, financial scientists succeeded in establishing a precise description of public goods, which refers to two specific traits of this group of goods: it is difficult, if not impossible, to exclude others from profiting from such a resource; and the benefits that accrue to one appropriator more do not diminish the amount of benefits left for others (Musgrave 1969, p. 128, Samuelson 1969, p. 22). Since then, non-excludability and non-rivalry in consumption have been considered the characteristic properties of public goods. Even though clear cases are rare, Samuelson's and Musgrave's insights are still a hallmark of public goods theory (Kaul *et al.* 1999, pp. 3–4). Yet, due to their characteristics, public goods have also been regarded as 'trouble makers.' Different from private goods, they cause market failures and provoke severe shortfalls of collective action (Little 2002, pp. 89–100, Olson 2002, Tullock *et al.* 2002). Until today, theorists argue that in order to prevent inefficiency and failures of the market, public goods need to be substituted by private goods.

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In this contribution I wish to portray public goods in a different light. Due to their specific properties, public goods produce a range of positive side effects on society. Public goods support social inclusion, they generate the public, and they serve as representations of a shared sense of citizenship. In discussing the positive effects of public goods on society, this contribution is in line with a recent, yet still hesitant, reassessment of public goods in the context of political philosophy. Public goods have been scrutinized as a type of goods that democracy needs in order to strengthen the public forum and as visible expressions of social inclusion (Kallhoff 2011). They also serve as visible representations of a shared sense of citizenry (Judt 2010, pp. 123–129). Moreover, public goods have been scrutinized as items that contribute to solidarity in plural societies.

My argument is structured in seven sections. The first section starts with a definition of public goods that relates to the *non-excludability condition* and the *non-rivalry condition*. In interpreting these features as a specific type of access conditions, the discussion of public goods in the context of political philosophy will be prepared. This section also presents distinctions among various groups of public goods. The second section develops an alternative approach to public goods and explains the general argument. The third section discusses public goods as *solidarity goods*. This section claims that public goods support social inclusion. The fourth section portrays public goods as *connectivity goods*. Public goods contribute to a mutual awareness of persons and to a type of exchange among persons that is less demanding than mutual recognition, yet which is nevertheless a form of connecting with each other which is important for the citizenry. The fifth section expands on public good as *identification goods*. This section explores the role of public goods in stimulating a shared sense of citizenry. Taken together, the fourth to sixth sections portray a set of positive externalities of public goods on society. The sixth section discusses the *interventionist thesis* that says that governments need to support public goods in order to safeguard a basic range of these items. The main argument is that a purely economic approach overlooks the competences of political institutions in supporting public goods. The seventh section serves as a conclusion and discusses some effects on evaluating privatization.

1. The definition of public goods reconsidered

Public goods differ from private goods in that they do not possess clear-cut entrance barriers. Instead, they come with conditions of access that have been described as *non-rivalry in consumption* and as *non-excludability regarding potential beneficiaries* (Kaul et al. 1999, pp. 4–5). In this contribution I wish to go back to the initial insights of theorists in the field of public finance and economics. Even though authors in those fields of research discuss public goods against the background of market laws, they detect the relevance of two specific structures of that group of goods. Because of the combination of both

traits, public goods actually are *open to the public*. In order to highlight this insight, a hybrid test that relates to both specific properties of public goods filters the items which count as public goods.

Firstly, access barriers around public goods are special in that they do not have selective effects on the range of potential beneficiaries. This is an immediate effect of non-excludability: each person who wishes to profit from a public good can do so. Examples that exemplify this trait particularly well comprise natural goods such as sunlight, but also public space, infrastructure, and the media. Once these goods are available, they are available to each person, *not* to a preselected group of persons alone. *Secondly*, public goods are special in that they are available under conditions of non-rivalry. At a basic level, the availability of a public good does not include competition over that good. Examples comprise public education and a health care system which provides basic services to each person. Yet, items that exemplify both traits to a full extent are rare. Instead, most public goods belong to the group of ‘impure public goods,’ which either exemplify the characteristics to some degree or instantiate only one characteristic to its full extent. Therefore, it is necessary to take a closer look at the group of impure public goods.

Impure public goods do not present themselves as a uniform class of objects. Instead, they might instantiate only one of the two characteristics; they might share the characteristics of a public good because of their physical structure or because of artificially installed entrance barriers; moreover, they might exist due to the fact that a transformation into a good with clear-cut entrance barriers is much more difficult to sustain than a public good. In order to discuss public goods, it is helpful to distinguish these various cases. Goods that are exclusionary, yet not competitive among potential profiteers, are *toll goods*. *Common-pool goods*, instead, are non-exclusionary, yet competitive items (Buck 1998, pp. 4–5).

Toll goods respond to the basic availability condition, but they are not necessarily available to each potential profiteer. Instead, toll goods are reserved for a selected group of persons – yet the only criterion for selection is willingness to pay for the toll. Subsidizing the toll is a means for lowering the entrance barrier. *Common-pool goods*, on the other hand, respond to the condition of non-discriminatory access, but basic availability is not secured. Instead, because of non-discriminatory access conditions, competition over these goods can be high. Indeed, common-pool goods are particularly vulnerable – at least as long as there are no artificial access conditions.

Moreover, the group of impure public goods comprises both *artificial goods* and *natural goods*. Artificial goods are generated by institutions that support them in providing entrance barriers which are non-exclusionary. Natural goods, instead, share the characteristics of public goods because of their physical properties. This distinction is of particular importance in discussing the necessary means for preserving and supporting public goods. Artificial public goods, as for instance the media or the Internet, need support in terms of

finance and management. Natural goods, instead, often suffer from their characteristics as public goods. Preserving public good characteristics, for instance in order to keep them available to each person, presupposes debates about what might be called fairness of enclosure. Recent examples comprise the atmosphere as a global public good. Even though basic and non-discriminatory availability might be highly desirable, enclosure might be a necessary element in securing the good. Some argue that this is a necessary step in securing natural goods from the disastrous ‘tragedies of the commons’ (Hardin 1968, Gardiner 2011).

Finally, there is a range of goods whose public good-characteristics result either from the overall positive externalities of these goods for society or from the reason that exclusion is particularly costly for society. In other words, it is cheaper and easier to provide such a good as a public good than providing for an alternative private good. A public health care system might serve as an example. Since the public good characteristics are not characteristics of the items themselves, but rather result from a calculation which compares costs and benefits, I shall call this latter group of impure public goods *secondary public goods*.

The first distinction is the more frequent one: the distinction between *toll goods* and *common-pool resources*. It is important to note that none is fully characterized as representing only one of the two features ‘non-rivalry’ vs. ‘non-excludability.’ Instead, toll goods are non-rivalrous for those having paid the ‘toll;’ yet, in order to achieve non-excludability, it suffices to keep the toll affordable. Actually, many public goods have this structure: publicly subsidized theaters and sport events as well as national parks and infrastructure are surrounded by entrance barriers in terms of a toll. But, in the case of public goods this toll is kept low artificially in order to prevent a good from becoming an exclusionary good. In order to keep a common-pool resource intact, these items are to some degree transformed into toll goods. In order to be able to identify a good still as a common-pool resource, the ‘toll’ must not include arbitrary procedures of potential preselected profiteers, but it should contribute to mitigating rivalry. The second distinction between artificial and natural public goods plays out when the best practices in safeguarding them are at stake, which I will comment on below in the discussion of the ‘interventionist thesis.’ Yet, the category of a natural public good needs extra discussion because it provokes a range of dilemmas of collective action that cannot be addressed here. Therefore, the examples that I will discuss in outlining my argument belong to the group of artificial public goods. The third distinction is important for not excluding items that deserve the name ‘public goods,’ even though in order to explain their characteristics more considerations must follow. Some of the secondary public goods blend into the category of artificial public goods, as for instance the health care system. Yet, I shall not discuss the category of a secondary public good in general terms.

One more comment on the examples of public goods in this contribution is necessary. For the clarity of the following arguments, it has been restricted in two respects. First, the examples are restricted to *final public goods*. Following a proposal of Kaul *et al.* (1999), public goods can be divided into *final public goods* and *intermediate public goods*. *Intermediate public goods* contribute towards the provision of *final public goods*; *final public goods*, on the other hand, are outcomes rather than goods in the standard sense (Kaul *et al.* 1999, p. 13). Intermediate public goods are institutions that support the provision of public goods; they comprise institutions of public finance and political institutions such as a legal system. The authors apply this distinction to global public goods; yet it also fits global public goods. Moreover, the authors distinguish between *tangible* and *intangible goods* (p. 14). This contribution deals exclusively with final and tangible public goods. Therefore, the discussion does not include goods like climate stability, peace, or justice; nor does it include intermediate goods such as a judicial system and institutions that support final public goods and exemplify public goods structures themselves.

2. The argument

Public goods are material items with a specific structure. Each person who wishes to access a public good will be successful in doing so. There are no preselective entrance barriers. And each person who wishes to profit from a public good will be in a situation to do so without suffering from severe incidents of rivalry. In discussing various groups of public goods, it has already been said that this is an ideal scenario. The general claim of this paper relates to that ideal scenario. It discusses a range of toll goods with low entrance barriers such as infrastructure goods, a health care system, and public education, and it discusses common-pool resources as, for instance, public space and infrastructure which can be safeguarded against depletion from over-consumption.

However, the general claim that impure public goods support a well-ordered society needs to be given a more precise content. Obviously, not each singular public good contributes to justice in a broad sense of the word or a shared sense of citizenship. Street lighting or fireworks have public good characteristics, too. But, do they also have an effect on the quality of a political society? Moreover, public goods may also tear into different directions. A public health care system might have an inclusionary effect. It might strengthen solidarity and it might also help citizens to identify with the accomplishment of a nation-state. But the opposite effects might also occur. Citizens could reject a public health care system precisely because they identify with a nation-state, which respects freedom of choice. They might regard solidarity as a key value, but they might not wish that governments provide this value. Finally, public goods might also have the negative effect of over-exploitation and of persons preferring free-riding instead of voluntary and involuntary

support of public goods (Poteete *et al.* 2010). Therefore, they might be very counterproductive in terms of ‘solidarity.’

In order to give a clear account of my argument, I shall introduce three modifications of the general claim that public goods support a well-ordered society. The *first* modification is that not each public good contributes to one of the values of a well-ordered society. The claim in this contribution is *not* that each public good contributes to solidarity, connectivity, or identification with a shared sense of citizenry. Instead, I wish to argue that *some* public goods are particularly well suited for supporting social justice, as for instance a public health care system or public education; other goods are particularly well suited for ‘connectivity,’ as for instance public space or public infrastructure; and others are particularly well suited for supporting identification, as for instance goods of cultural heritage. In outlining the arguments I shall name the goods which I am addressing in the context of each argument.

The *second* modification relates to the question of whether or not it is the public good characteristics *alone* that cause the positive side effects of public goods. I wish to argue that the public good characteristics are indeed critical to supporting solidarity, connectivity, and a shared sense of citizenship. Yet, the general claim is not that the content of a specific good does not matter. Instead, theories of social justice explain why certain goods are particularly important in supporting equity; theories of the public explain why infrastructure and the media are of importance for supporting the public forum; and theories of civil society explain why societies need shared goods that citizens can identify with. However, even though it is the content that matters, I wish to support another line of argument: the proper characteristics of public goods are crucial for unfolding the mentioned effects. Basic availability and non-discriminatory access conditions support solidarity, open access to public goods supports the public in a particular way, and visible public goods enhance a shared sense of citizenship. The arguments I wish to present shall explain the mechanisms underlying these effects.

Thirdly, I do not wish to say that it would be best to transform each private good into a public good; I also do not wish to defend a maximization strategy that says that the more public goods we have, the better the overall situation is. In particular, this article does not include a proposal for a decision procedure in a situation in which an institution needs to decide which good actually deserves support. There might be situations that Nussbaum termed ‘tragic’ (2000): sometimes, governments are not in the position to support a minimum range of public goods; and each of them might be as important as another. The arguments of this article are rather defensive in that they draw attention to an aspect of public goods that should be taken into account – in particular in a situation in which transforming a public good into a private good is at stake. In order to make this a precise claim, one example will run through the next sections: the example of a road that could either exist as a private street or as a public road. This constructed public good vs. constructed private good will serve as a backdrop against which the argument of each section will be tested.

3. Public goods as solidarity goods

When goods are discussed in the context of theories on social justice, two approaches are central. On the one hand, one might turn to goods as generally useful means for individuals in developing a life plan and in realizing a good life. Even though John Rawls fills that category with a bundle of different goods such as a system of liberties, economic means, chances on good positions, and self-esteem (Rawls 1996, p. 181), and even though Rawls explains that his evaluation of these goods relates to the basic moral capacities of citizens (p. 188), his main interest are items that can be used by individuals. Since the proposal of Rawls's list of primary goods, much has been written on the 'currency of justice' (Cohen 1989). Yet, goods that serve as useful means for individuals in order to realize a good life are still at the center of concern. In contrast to this approach of the category of a 'good,' a range of collective goods has also been under discussion. But either of these goods are socially constructed goods; Walzer's (1983) theory of justice may serve as an example. Items receive their meaning as a good when members of the society share the view that such an item really deserves this title and that it includes principles of fair distribution. Or they are categorized as 'welfare goods,' which support the worst off in a society (Goodin 1988).

Differing from both interpretations, public goods add an element that the two miss. They are collective goods. And yet, public goods are still implemented in terms of non-discriminatory access and in terms of non-competition over a basic degree of supply. If available at all, they will be available to all citizens and not to a selected group alone. Due to this structure, public goods strengthen social inclusion and a sense of solidarity. In particular, public goods have immediate anti-segregational effects.

Examples that explain this aspect particularly well are situations in which an exclusive good is transformed into a public good. Public transport is a case in point. Here, the bus boycott in Montgomery, Alabama, may serve as a prominent example of a transition from a segregated to a public good (Patterson 1996, pp. 400–405). In the United States, through many boycotts of buses, black activists – among them Martin Luther King – gradually succeeded in ending a state of segregation. On 13 November 1956, the US Supreme Court ruled that the city ordinances concerning seating on buses, which separated the seats of black persons from those of white persons, violated the Fourteenth Amendment. This is remembered as one of the most sustained and coordinated efforts in the history of the civil rights movement. Public buses now exemplify the two critical features of a public good: both the open access condition and the basic availability condition.

This example is already very close to the example that should serve as a general test for my argument: the private street vs. the public road. Let us start with a situation in which the street has not yet been built. Authors from the camp of political economy explain that it is not very likely that the street will

be built as a public road. Yet, Little (2002) provides a critique of this scenario. He claims that there are some shortfalls in the construction of the example, in particular the lack of an institution that might moderate the process and support it by means of public finance. Following the interpretation of ‘solidarity’ in this section, a test on whether or not subsidies would be spent adequately needs to discuss the overall inclusionary effect of the road too. If the road were important for persons to connect them to working places, it would be a matter of solidarity to invest in it. Yet, obviously, a road is still reserved to those who have cars. It would be much more adequate to justify a railway in terms of ‘solidarity,’ even if tickets are part of a toll system. According to the principle of solidarity, ticket prices would need to be low.

In order to explain the relationship between the existence of a range of public goods and social justice, two further aspects need to be mentioned. *First*, social inclusion is not the same with each type of a public good. There are some core public goods that deserve particular attention in discussing social justice (Kallhoff 2011, pp. 74–77). *Secondly*, public goods need to be sustained – at least to some degree – by means of public finance. Fair access conditions cannot be achieved unless the burdens of provision have also been shared in terms of either justice in taxation (Holmes and Sunstein 2000) or special property conceptions regarding public goods (Murphy and Nagel 2002). Public goods will only exemplify structures of solidarity under the condition that strict egalitarianism in supply is combined with fairness in distributing the burdens of provision.

4. Public goods as connectivity goods

A second type of positive side effects of public goods can be outlined against the background of the discussion of patterns of association in political philosophy. Goods that are accessible to all people provide a shared realm. This effect is particularly visible regarding local public goods as well as infrastructure goods and the media. Public places, national parks, and landscape invite all sorts of people; the media and the Internet enable interactions between strangers and provide a platform for networking. Thus, it might be argued that those realms of intersecting activity and real shared places have become even more important when persons often meet in virtual places. In the context of discussing the metatopical realm of the public, Taylor (2002) states:

Spaces of this kind become more and more important in modern urban society, where large numbers of people rub shoulders, unknown to each other, without dealing with each other, and yet affecting each other, forming the inescapable context of each other’s lives. (p. 86)

The encounter between individual persons within a public space contributes to a distinct kind of awareness. Each person not only knows that other persons

also participate in the public realm; rather, she is aware that each person has the same right to do so. Persons acknowledge each other as equipped with an equal right to participate in that good. This type of mutual awareness may not be as demanding as the recognition of the other person within a shared realm of intersecting actions. Yet, this might be seen as a more realistic interpretation of the real options of strangers in connecting with each other in the public realm. This coheres with Rosenblum's comment on politics of recognition and its demands in everyday life:

By definition, the politics of recognition seeks to alter the behavior of others. It looks for specific attestations of appreciation, or deference. Not content with 'easy spontaneity,' it forces people's hands and demands substantive acknowledgment of one's own sense of standing. Carried over into everyday interactions, recognition is liable to be impracticable in any case. For one thing, because it is so demanding. It requires considerable self-discipline to avoid specific action or gestures that group members regard as a slight or say will diminish their self-respect, and to adjust or demeanor and conduct to what counts for them as an adequate demonstration of regard. (Rosenblum 1998 p. 355)

Rosenblum also explains that people do not always want to be regarded as members of groups, but rather willfully throw off their ascriptive connections when moving around in the public sphere. This is another argument against overloading the public realm with demanding ideas such as self-esteem, recognition, or even community. Instead, an exploration of public goods as *connectivity goods* contributes to a middle level between a too modest conception of connectivity that exclusively relies on regulating conflicts between individuals and a too demanding version that draws on ideals and bonds between individuals.

In particular, the interpretation of public goods as connectivity goods coheres with claims about the material backbone of the public forum. It generalizes a claim that has already been formulated and reasoned in theories of the public forum. A demanding approach to the public forum has been provided by Habermas (1989, 1996). He argues that it is crucial that persons meet as free and equal individuals in order to form a public forum, which serves as a place for deliberation and communication regarding items of common concern. He also acknowledges the role of the press in this process of the formation of the public. In his early drafts of the theory of the public, Habermas (1989) is well aware that the public forum needs enabling conditions which are provided by journals that circulate among citizens. More generally, public goods contribute to this experience as a visible expression of equity within a society. They underpin the mutual awareness of citizens as persons who are all endowed with an equal set of prerequisites.

The importance of the print media, which share the characteristics of a public good, is echoed in Michael Warner's exploration of the genesis of the public sphere in eighteenth-century America (Warner 1990). In his theory of the generation of the public sphere, the publishing organs play a key role.

Today, the Internet appears to be a modern counterpart to books and journals. Regarding these new media, Sunstein (2002) argues that the roles of Internet and television in this generation's public should not be underestimated.

In short, some public goods serve as connectivity goods because they produce a double effect: they support equity and simultaneously serve as physical structures which – because of equally low entrance barriers – facilitate participation and exchange. Habermas's theory of the public focuses on what might be called the crown of the public: persons as members of the public forum who exchange arguments over matters of common concerns. A theory of public goods instead focuses on the very basis of the public. It implies that some public goods provide the physical structures a vital public needs in order to regenerate itself. Moreover, it provides a realm for connections between strangers which – nevertheless – are mutually aware of each other as endowed with the same offer to participate in public goods.

At this point, I would like to come back to my test example: the public road vs. the private street. Is it important to build a street as a public road in order to strengthen its contribution to connectivity? Here again, a clear-cut answer depends on the specific scenario. If a private street is reserved to an owner of that street, it does not contribute to connectivity. An opposite example is a public street, which has been declared as a playing ground for children, since this is a place that connects persons with each other. Moreover, it supports mixed communities – no one preselects the persons in the street; it is simply a realm that can be used for creative activities. Another approach to the problem can be provided when streets are regarded as part of the infrastructure; the overall accessibility of this infrastructure is indeed important for generating a situation in which persons can move freely and are able to do so without hindering another person from doing so. Obviously, roads are not a good example for supporting connectivity in the broad sense of the word. Yet, it can at least be said that private streets interrupt a system which is of importance for the connectivity of citizens.

5. Public goods as identification goods

Recently, Judt (2010, p. 123) contributed to a reinterpretation of public goods from a different angle. He discusses them as 'visible representations of collective identity.' While *Ill Fares the Land* covers a range of diverse items, one argument focuses on 'the cult of the private.' Judt argues that 'the thick mesh of social interactions and public goods has been reduced to a minimum;' as a consequence, 'we have begun to dismantle the fabric of the state' (p. 118). Public goods certainly cannot provide a panacea for democratic deficits, but they can contribute to strengthening of the identification of citizens with their home country.

In order to handle these claims with caution, the insights shall here be reduced to the claim that public goods may contribute to the interest of citizens

to become involved in common affairs. Usually, interests in public goods are not a harmonious whole; instead, different interest groups will have ideas about a common good that conflict with each other. In contrast to other forms of conflicts, dissent over public goods does not start from scratch. Instead, it focuses on specific goods, whose shape and sometimes even existence are at stake. In particular, citizens may engage in conflicts over public goods not as disinterested observers, but as both potential beneficiaries and simultaneously as being involved in the provision of that good. In contrast to conflicts that do not need to be settled, public good regimes may force a compromise at some point. In particular, conflicts over public goods stimulate *deep compromise* (Richardson 2002): they do not start from scratch and need to come to an end without losing sight of the core interests of various groups of people.

If it is correct that *societies need dissent* (Sunstein 2003), public goods serve an important aim. As goods which are open to the public and whose burdens are distributed among citizens, public goods might support political commitment. Moreover, it has been shown that they are items whose existence means direct democracy can be applied. In discussing deliberation as a premise for good decisions in political affairs, Ackerman and Fishkin (2004, p. 55) note 'that discussion leads respondents to take some responsibility for the solution of public problems. They look beyond the most narrow and immediate constructions of their self-interest to support the provision of public goods.' Even though public goods range from local to global goods, they are usually also instantiated on a local level. Public space is the space in my city, where media are available and education is something which the local people care about. Therefore, public goods appear to be particularly well suited to get people involved in common affairs and to identify with 'their' local public goods.

At the end of this section, the public road vs. private street example again serves as a test. Interestingly, Judt (2010, p. 123) mentions buses as materialized points of identification for the citizenry. Again, it is not the street that generates positive effects. But it is public transport that can serve as a materialized point of identification. Buses and trams would not deliver this effect if tolls were so high that persons could not afford them. Living in Vienna means appreciating the 'Öffis,' an amicable abbreviation for public transport (öffentlicher Verkehr), and without trams the city would not be the same.

6. A reassessment of libertarian reservations

Presupposing that the arguments regarding the positive side effects of public goods are right, another aspect of public-goods theory still has to be addressed. This reservation has been articulated by authors who do not wish to see governments getting involved too deeply in public good policies. This section once again considers the underlying rationale of the so-called libertarians who defend the view that the nation-state should not get involved too deeply in the private sphere.

After having explained the duties of the sovereign to care for defense and a reliable system of justice in *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776), Smith states:

The third and last duty of the sovereign or commonwealth is that of erecting and maintaining those public institutions and those public works, which, though they may be in the highest degree advantageous to a great society, are, however, of such a nature, that the profit could never repay the expense to any individual or small number of individuals, and which it therefore cannot be expected that any individual or small number of individuals should erect or maintain. (Smith/Cannan 1776/1976, p. 244)

Among the goods that political institutions should care for, are ‘public institutions and public works necessary for the defense of the society, and for the administration of justice,’ institutions for ‘facilitating commerce of the society,’ namely good roads, bridges, navigable canals, harbors, etc., and for ‘promoting the instruction of the people’ (p. 245). Besides emphasizing the value of these items as goods that serve the extension of free trade and help prepare the people for engaging in commerce, Smith also reiterates a widespread rationale underlying the interventionist thesis. He states that even though infrastructure and education are particularly ‘advantageous to a great society’ (p. 245), there will be no investors because public goods do not pay out for individuals. Smith concludes that the government has to step in and care for long-term interests.

Friedman, who generally argues against government intervention into the market sphere, also defends an interventionist thesis regarding a range of public goods.¹ His proposal includes governmental subsidies for elementary schools and liberal art colleges (Friedman 2002, p. 88). Among his arguments is the need to invest into the ‘economic productivity’ of students, but also a reassessment of ‘neighbourhood effects’ regarding natural public goods. Neighborhood effects arise ‘when actions of individuals have effects on other individuals for which it is not feasible to charge or recompense them’ (p. 30). Pollution of waterways, highways, and parks, and education are examples that Friedman discusses in this context (p. 80). Although arguments from neighborhood effects can be a reason for limiting the activities of government as well as for expanding them, in the pages cited they primarily provide arguments for governmental engagement in public goods. Friedman’s main argument in favor of the intervention of governments into the natural processes of the market is that otherwise the economically aversive effects would be so dramatic that – in the range of discussed cases – the negative effects of intervention in the market sphere will outweigh the negative effects of non-intervention.

Both Smith and Friedman argue that even though investments in public goods should be held at a minimum, there are cases in which not investing in public goods would make the overall situation worse. This coheres with recent insights that some public goods, infrastructure goods, and public education in

particular are particularly useful regarding the development and sustenance of economies (Sachs 2005, pp. 251–255, 278–284).

Yet, there is another important argument working in the background of the libertarian approach to public goods. This claims that political institutions – and governments in particular – are the only institutions that can possibly sustain public goods. Therefore, they have to do so. However, recent studies in the emergence of public goods portray another development. In *Growing Public. Social Spending and Economic Growth Since the Eighteenth Century* (2002), Lindert (2002) elaborates on the historical development of public goods, welfare goods, and net transfers since the eighteenth century.² He demonstrates that the nation-state is a latecomer in terms of public goods. In examining the roots of the welfare state, he states that religious associations and institutions in civil society supported goods such as education or health care which developed and ‘grew public’ more and more. This claim is also reiterated by authors who investigate the history of the provision of welfare goods. Jason Kaufman argues that the provision of education, social security, and health care in the United States at the end of the nineteenth century was organized within immigrant societies (Kaufman 2002). It was not the main focus of the nation-state to deliver health care or to provide citizens with schools, but rather a matter of fraternity to do so within immigrant communities.

The conclusions from these facts need to be drawn thoroughly. Governments are not the only institutions that could possibly support public goods.³ Instead, other institutions could do so as well. There are further important arguments for counting on governments.⁴ In order to discuss the role of governments, one striking feature of the debate is seldom made explicit, although it appears to be fundamental in addressing governments as providers of public goods. This fundamental premise was labeled as ‘folk theorem’ by Stiglitz, that is ‘a widely known theorem, the origins of which cannot easily be traced’ and which is an integral part of oral history. The folk theorem working beneath the surface of reservation is that ‘anything that the government can do, the private sector can do as well or better’ (Stiglitz 1994, pp. 31, 287 n. 18). The trust in the powers of markets is high; simultaneously, specific competences of the public sector are not made explicit. Yet, the unique capacities of political institutions and governments also need to be taken into account.

Regarding public goods, two capacities of political institutions, that private institutions lack, appear to be of particular importance. *Firstly*, governments are obliged to care for a well-ordered society. At present, governments are the only institutions that have the capacity and the power to guarantee equal access conditions to a range of goods. Markets may enhance living conditions, but they do not automatically improve the overall situation in terms of availability of all types of goods. *Secondly*, governments are in a much better place to provide public goods than many singular actors would be. Even though they are latecomers in providing public goods, they are now in a position to do so in an efficient and fair way.

7. Conclusion

Until today, the discourse on the values of public goods is split into what most people regard as *hard arguments* and *soft arguments*. In this contribution I have tried to transcend this split. In accordance with proponents of hard arguments, this contribution relies on an approach to public goods that takes the specific characteristics of these items in terms of ‘positive externalities’ seriously. I have argued that some public goods are visible expressions of solidarity among citizens. Some public goods also support connectivity and serve as representations of shared interests and common endeavors of the citizenry. In the latter sense, they might also serve as visible representations of a shared sense of citizenship. In this context, a further aspect needs to be mentioned. As goods which are open to the public, the provision of public goods is not only a visible sign of solidarity, but also rather a joint commitment to make collective achievements available to each citizen. Public good regimes encapsulate societal progress – the big shift towards the ‘age of citizenry’ in the nineteenth century is marked by a situation in which valuable goods were no longer reserved to classes, but were available to each citizen (Nipperdey 1998). Privatization, instead, endangers these achievements. In European states that have a rich tradition of public goods, public goods are sold to private investors on a large scale.⁵ Yet, some authors now argue that public goods are also critical in developing and sustaining good performances of the economy.⁶

The perspectives on public goods that have been developed in this contribution lead to a different conclusion. It is not the type of financial system and of property that is at stake when discussing public goods, but rather the effects of privatization on the special class of entrance barriers surrounding public goods which is troublesome. In particular, people need incentives to develop patterns of interaction and exchange. Public goods are particularly well suited to support civic patterns of exchange. Yet, this positive effect depends on the specific structure of the entrance barriers surrounding public goods.

Acknowledgments

I would like to thank my colleagues at the University of Chicago who were ready to discuss former drafts of this paper with me, in particular Martha C. Nussbaum, Winnifred Sullivan, and the members of the research class at the Martin E. Marty Center.

Funding

This research on public goods was supported by a Feodeor Lynen research grant from the Alexander of Humboldt-Foundation. This funding enabled two years of research at the University of Chicago. I am also particularly grateful to the Martin E. Marty Center which supported research in public goods under conditions of a reasonable pluralism with a Senior Research Fellowship.

Notes

1. Friedman's key argument has often been referred to as an objection against the impact that political regulation will have on a range of private choices and individual freedoms. This is expressed in the following sentences: 'When you vote daily in the supermarket, you get precisely what you voted for, and so does everyone else. The ballot box produces conformity without unanimity; the marketplace unanimity without conformity. That is why it is desirable to use the ballot box, so far as possible, only for those decisions where conformity is essential.' (Friedman and Friedman 1990, p. 66)
2. For a reassessment of those economic gains resulting from net transfers in the provision of public goods, see also Scharpf (2000).
3. This view has been supported by another argument. Instead of emphasizing the unwillingness of private institutions to invest in public goods, and instead of reiterating problems of collective action in providing public goods, Barrett (2007) gives a list of reasons why voluntary cooperation is not only feasible but also desirable in providing public goods. Among these reasons are profits for each supporter (Barrett 2007, pp. 1–2), but also that the effects of coordinated efforts in establishing public good regimes – as, for instance, in building a convincing regime in protecting the atmosphere as a global public good (pp. 74–102). Coordinated efforts in providing global public goods may contribute to overcoming prejudices underlying the interventionist thesis too.
4. The claim that governments have to regulate public goods in order to safeguard them has been reiterated in the literature on natural common-pool resources. Yet, Ostrom provides arguments that regarding natural common-pool resources, this claim is not justified; instead, governmental intervention might end up in a bad scenario too. Governments may lack the knowledge that is necessary in order to invent reasonable institutions which protect common-pool resources. Moreover, the costs of supervision can be particularly high. For arguments and case studies which underpin these claims, see Ostrom (1990).
5. Following Bortolotti and Siniscalco (2004), worldwide processes of privatization showed a stark increase in the 1990s, which reached its peak in 1999. Privatization then reached almost all sectors of industrial production and some of those goods that are generally discussed as public goods: infrastructure, telecommunication, energy, public services and utilities, agriculture, financial institutions and the credit sector, the manufacturing sector, and the media. Even though Europe stands out, regarding both the volume and the sheer number of privatizations, it has become a worldwide phenomenon.
6. For this claim, see Sachs (2005, pp. 251–255, 278–284).

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