Global Public Goods and Self-Interest

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1 The neoliberal context

Public goods represent an alternative to the race to the bottom under the banner of market competition. Making them the cornerstone of the national and global economies would imply a vast structural change. This change would increase the assurance of access to important goods and services. Of almost equal importance is the possibility that, with genuine public accountability and participatory management, these public goods will be fair to those who work within them.

One doesn't need to say that this is as far as change should go. It may only be the beginning of a series of structural changes, for having public goods is, at least at first, compatible with private, profit-making enterprises. So, public goods may still be challenged by those promoting investments for private profit. This dialectic between the public and the private could always open up the possibility of counter-reform, as happened toward the end of the 20th century.

At present, though, the goal is to reinvigorate and expand public goods as the negative reaction to neoliberal globalism deepens. The opportunities offered for pursuing this goal by the collapse of Enron and of the Argentine economy need to be seized. The deregulatory climate that Enron itself helped create will lead to a widespread corruption of even those standards that make doing business in capitalist markets possible. The IMF's obsession with labor austerity as a lure to investors increased poverty and unemployment in Argentina to the point that the economy as a whole collapsed. The possibility exists of a rejection by a string of nations of the bankers' discipline being imposed by the US and the international financial organizations it backs.

There are several ways a revival of public goods would impede the development of neoliberal globalism. The dominance of **financial capital** would be curbed by giving more importance to basic needs. This would lead to more regulation of capital flows and to treating more and more resources in a way that does not turn them into sources of profit – decapitalizing them. Neoliberal globalism, which promotes **flexible labor**, would also be curbed by public goods that offer protections for labor, such as job security, decent workplace regimes, and living wages. Institutions for these protections would be public goods that might be both national and international. Finally, the dominance of a **liberal trade and service policy** that serves the interests of capital would be curbed by a mechanism for setting trade and service policy that is guided by widely accepted social goals. For this to happen, such a mechanism would have to be more representative of the peoples and nations of the world.

2 The standard concept of public good

Since the 1950s, public goods have been thought of as remedies for market failures, and hence as little oases in a desert of market competition. On this view, they are exceptional, since by and large the market works. But this exceptionalism is a superficial matter, since at a deeper level those who take this view hold that there is common ground between the market and public goods. They think they can show that public goods are no exception to the liberal ideology that under girds the market. They refer, of course, to the view that self-interest is a motive that is adequate for the good society. Self-interest promotes public goods, on their view, since even those who don't benefit directly from public goods benefit from the side-effects of having others benefit from them. So no appeal to solidarity with the disadvantaged is needed to make me want to cooperate with others in support of public goods.

There are really two independent parts to the standard concept of public good. This concept plays a prominent role in the recent phenomenon of extending the discussion of public goods to the global level. The first part has to do with the **accessibility** of public goods, whereas the second deals with the **motivation** for forming them.

The first part emphasizes that public goods cannot easily be exhausted as well as that they normally do not exclude anyone. With the supply that a public good affords being **non-exhaustible**, there is no added cost of having an additional individual benefit from it. So having an efficient market price of zero, it makes no sense for an entrepreneur to try to make a profit from selling benefits from a public good. Underfunding public goods will indeed lead to their exhaustion – both quantitatively and qualitatively – with the result that entrepreneurs will come forward to sell their benefits. Thus underfunding of water, education, and health care represent a basic neoliberal tactic for encouraging entrepreneurial intrusion. Long water outages, overcrowded classrooms, and waits for medical procedures are signs of public-good exhaustion, as are poor quality water, instruction, and health care.

Non-exclusion is the complement needed to non-exhaustion if there is to be general access to the benefits of a public good. If nobody is excluded from a public good, it would be futile to try to sell it, since anyone who comes to a store to buy it can simply go next door to the public good to get it gratis. Non-exclusion has been seriously eroded through wide acceptance of the myth about the abuse of the commons. User fees are a device for exclusion that is rationalized by charges that too many individuals are overusing public facilities and that it would be unfair to raise taxes on everyone simply to allow this abuse to continue. Those who cannot pay the user fees find themselves excluded from the benefits. Gradually public goods become ‘club goods’ for those who need them less.

The second part of the standard concept addresses the ultimate motivation for forming and maintaining institutions that provide benefits in a non-exhaustible and non-excludable way. In dealing with motivation, what we find here is a procrustean exercise in trying to adjust what is fundamentally a social matter to the individualist psychology behind neo-classical economics. The context is, then, the assumption of the adequacy of **self-interest** for arriving at cooperation. The question addressed is: What benefit must I receive in order to motivate me to pay my part of the cost of a public good from which you and many others will benefit? I can receive benefits from two sources, one comes directly from the public good and another comes indirectly from the others as a result of their receiving their direct benefits. Many times my direct benefit could be less than my part of the cost. Why then would I pay my part of the cost? I would pay it if the indirect benefit received as a spillover from you and the rest is at least sufficient, along with my direct benefit, to match my part of the cost. In sum, strong positive externalities make for the kind of cooperation that is required by public goods.[1]

The kind of externality involved here can be illustrated by pollution abatement. Global warming can be controlled by countries reducing their carbon dioxide emissions. Why, though, should a given country cooperate in this effort if in doing so it has to spend more on abatement than it gains from less environmental damage to it? For an answer one needs to consider other things such as the effect of reducing global warming on the economies of other countries. Those economies can, then, remain robust thereby preventing a collapse of trade and investment with our given country. This spillover between countries might be just what is needed in order to promote cooperation.

However, being a **free rider** rather than a cooperator still allows our country to benefit. This poses a serious problem for those who rely solely on self-interest. Our country could do nothing and, in principle, still enjoy the positive externalities from the cooperation among others. Their self-interest would keep them trading and investing despite the defection of our given country. With less costs the benefits it receives would be much the same as if it had cooperated. In sequence, several other countries, including a few large greenhouse gas emitters, might choose not to cooperate with others on the same grounds. By the time all these countries had decided to go it on their own, the abatement would be so small that there would cease to be a net benefit for those who still cooperated. Once it became evident to them that their cooperation was futile, self-interest would terminate the entire endeavor to reduce greenhouse gas.

A total collapse of cooperation might be avoided by a strategy of incentives for those tempted to defect from cooperation. A leading country might, for example, use loans to certain other countries for their priority domestic projects as incentives for their following it in funding a global public good. Even if we assume that such a strategy can generate a level of cooperation, we still have to ask whether self-interest, in the absence of solidarity, can provide cooperation at the high level needed to form and maintain public goods.

3 Solidarity as motivation for public goods

The key feature of a response to the standard, self-interested view of public goods is the concept of a **social goal**. I have already indicated that our public goods are to be understood as instrumental to our social goals, understood here as together defining the kind of society we want to live in. Putting public goods inside the context of social goals is missing in what I've called the standard concept of public goods. This absence is relevant since the standard concept considers public goods as primarily instruments for the benefits of individuals, whether they be persons, groups, or nations. The conflict here is over the kind of teleology to emphasize in discussing public goods.

So public goods help us reach a certain kind of society – one, say, that is healthy, that gives protection from damaging radiation, that is financially stable, and that is democratic. Whatever the kind of society aimed at, it is not to be treated as only a potential for individual benefits. Of course, such a potential will result from reaching a social goal, and we would have no reason for wanting a society of a certain kind apart from a potential for the individual benefits normally associated with a society of that kind. Still, there is more to reaching a society of a certain kind than merely developing a potential for the corresponding individual benefits [2]

What then is missing in the standard concept? It is that having a society of a certain kind offers a forceful type of resistance to doing away with the potential for getting the corresponding individual benefits. The potential becomes robust since it is embedded within the way the society sees itself. Several things are involved in this appeal to the social. On the one hand, there is widespread agreement on one or more social goals. On the other hand, pursuing those goals is considered a project of the society rather than of benefactors who though ostensibly favoring those goals turn out to have a different agenda. Clearly not all potentials for individual benefits come about in a way that satisfies these conditions. Hence they will not be protected as forcefully as those that come from pursuing a certain kind of society.

Through one of his Open Society foundations George Soros could decide to buy antiretroviral HIV/AIDS medicines for those infected in South Africa. This could be seen as promoting the kind of society in which drugs are accessible. But as promoted by purchasing drugs from the multinational pharmaceuticals, the foundation's generosity could also be seen as maintaining the status quo on patent rights, which in a larger context would mean the continued inaccessibility of costly drugs.

The key source of this resistance to doing away with a public good is not, then, in the technology of a public good, in the bureaucracy that may operate it, or in financial angels. Instead, it comes from the continuing agreement on and commitment to a social goal by the people of a society. Thus it is, for example, that even the recent neoliberal governments of Canada have lacked the courage to try to end Canada's system of public health insurance. The commitment among Canadians to having a healthy society has created a robust potential for getting health benefits to all. What is wanted in a society is the assurance offered by robust potentials that the ways it sees itself aren't illusory. [3]

One of the reasons that privatization is opposed is that it does away with such an assurance. Under pressure from the international financial institutions, the forceful resistance arising from the way a society sees itself may still be overwhelmed. Water privatization, for example, removes any assurance the poor in struggling countries can get potable water. In South Africa in 1998 the trade union federation, COSATU, allowed water to be privatized in Dolphin Coast after weakening its opposition to water privatization under pressure from the neoliberal leadership of the ruling African National Congress, with which it is closely allied. But in Bolivia in 2000, a popular alliance defeated the privatization of water in Cochabamba that had been recommended by the World Bank and was being carried out by a consortium led by Bechtel. The dramatic nature of the resistance of that alliance stemmed from a generalized commitment to being part of a society with water accessibility.[4]

Another problem with the standard concept is that it relies heavily on **externalities**. It appeals to externalities in order to stay within the orbit of self-interest. Where externalities are ignored between two regions, there will be an equilibrium in regard to what each contributes toward a public good that is sub-optimal. That is, their total welfare could be enhanced by making greater contributions than they do. The equilibrium, called the Nash equilibrium, could be shifted to a higher welfare level if each region took account of the spillins coming from the other. In other words, this awareness would lead to a larger contribution by each to provision of the public good.[5]

This kind of reasoning, though the product of 'a beautiful mind', is largely irrelevant to the dynamics of initiating and supporting public goods. Take the living wage campaigns going on around the US today.[6] They concentrate on employees who wages involve, directly or indirectly, the use of public funds. The people behind the living wage almost all make much more than the living wage. The majority of tax payers who will pay whatever increase in taxes is levied for a living wage are themselves making a living wage. Moreover, neither the advocates nor the majority of taxpayers anticipate a change, either upward or downward, in their economic situation as a result of the success of their campaigns. Why would they support a living wage where public funds are being used?

The answer that I find compelling is that those who advocate and those who pay for it think it is fair. A sense of fairness is quite widespread, so when people are told about single mothers working for $6 an hour making beds and cleaning toilets in hotels without subsidized childcare or transportation, they respond that it's a shame, it's cruel, or it's greed. Reactions like these show that people have a sense of fairness. Moreover, having a sense of fairness supposes not just compassion with those seen as victims of unfairness but, if it is genuine, it also supposes a readiness to give support at least at some minimal level to doing away with that unfairness. There is then **solidarity** involved, the kind of solidarity involved in making the society a place that accords better with the aspirations we have for it. We saw this solidarity recently when free trade types said women in sweatshops in the Dominican Republic or in China were paid sub-living wages so clothing would be more affordable for people making higher wages. The response by samplings of US consumers was that they would be willing to pay a dollar or so more per item if it went toward bringing sweatshop workers out of poverty rather than to those in the chain of middlemen.

The standard concept of public goods is, then, doubly flawed. It is flawed not just by failing to specify that public goods don't exist outside a context of the forceful resistance to undermining them provided by commitment to a certain kind of society. But it is also flawed by failing to recognize that, since self-interest leads to defections from cooperation even when positive externalities are taken into account, solidarity is the needed motivation for having public goods.

4 Problems associated with global public goods

In turning to global public goods, I will assume that the notion of public goods in question is the new one elaborated in terms of social goals rather than the standard one I have criticized. I shall lay out several vexing issues about global public goods, and then in the last two sections, address those issues using the new concept of public goods.

First, there is the **statist view of public goods**. We are used to thinking of public goods as institutions that are funded by a state and accountable to the state considered as a formation of the public. They are institutions since their existence calls for guarantees that no natural object can provide. Even those public goods thought of as ‘commons’ are always hedged around with customs or more formal institutions. In the absence of such guarantees, a dominant power in an area could distribute water, for example, in a way that denies adequate access to subordinate powers. The guarantees of access as well as the funds for maintenance seem to suggest that public goods are parts of states. Yet with global public goods we lack a counterpart to the state, which has played such a prominent part in national public goods. There is as yet nothing that can be considered a global state. If, though, we try to make do with something less than a state, we run into difficulties. For one thing, there is no coercive force sufficient to back up either a call for funds or guarantees needed for equitable access.

A second problem has to do with the **dominance of self-interest**. There must be cooperation in the maintenance of public goods. Without it people, or nations, will go their separate ways pursuing particularist solutions for what are in fact general problems. A familiar Hobbesian assumption about nations is that they function only in self-interested ways. Cooperation can of course be compatible with self-interest. This can be illustrated in the case of the effort to reduce ozone depletion by the abatement of chloroflurocarbons. Here international cooperation satisfied national interest. The cost to the United States, for example, of its share of global CFC abatement, as called for by the Montreal Protocol, was less than the health benefits to it. But there are many cases where it seems that self-interest rules out cooperation. This may be the case with the cooperation called for by the Kyoto Protocol on greenhouse gas abatement for slowing global warming. It is estimated that the cost to the US for its share of greenhouse gas abatement, as called for at Kyoto, is near to or greater than the cost of the environmental damage of even a doubling of those gases.[7] The general problem, then, is whether at least the powerful nations will prefer self-interest over cooperation, thus pulling the rug out from under efforts to form certain crucial global public goods.

A third problem has to do with **disagreements among nations** over social goals. It is hard to judge what national opinion might be, but gauging global opinion seems to take us into the realm of pure speculation. This doubt is important since a public good is not something a private individual or elite can create. It is an instrument for advancing toward a widely agreed upon social goal. Of course, even as an instrument, a public good must be a matter of agreement, for without it cooperation is difficult to muster.

It is because the world is bisected in so many different ways that the notion of global agreement on social goals seems remote. To overcome this problem, Amartya Sen has suggested that we cease to think in terms of public goods as universals and instead think of them as pertaining to strands of affiliation across the world population, such as class, gender, and professional identity. Within each of these strands, it would not be utopian to think of arriving at agreement on social goals. It of course true that it would be easier to get agreement within these strands. But many of these strands would never get beyond provincial demands were it not for their ability to project themselves into a broader public. To overcome such a provincialism, it is, though, necessary to deal with the problem of agreement across various strands of affiliation.[8]

5 Resolving problems about global public goods – statism and self-interest

What is needed for global public goods is more a **cosmopolitan commitment** than a world state. This would be a commitment to improve social existence everywhere through broad based agreements to coordinate autonomous forces. In recent years in South Africa, where the AIDS epidemic has hit hardest, there was coordination between a various forces to gain access to essential medicines. There was Doctors without Borders, the South African Defiance Campaign, and the AIDS Coalition to Unleash Power (ACT-UP). The multinational pharmaceuticals were ready to take actions against South Africa if its law that threatened patent rights was to be implemented. The campaign against the narrow interests of the multinationals, against the wavering of the government of South Africa, and against the defense of patents by the wealthy nations succeeded in making a modest step forward toward turning drugs into global public goods. The kind of cosmopolitan commitment made by these non-governmental forces will be vital in the struggle for global public goods. [9]

What is lacking in such a coordination of forces is the permanence that makes for a robust potential. It is imperative to institutionalize the coordination to achieve this permanence. The institutionalization need not, though, call for a world state. After all, the multinationals themselves coordinate their activities in pursuit of their narrower goals through the World Trade Organization and the World Bank, and they are neither states nor parts of a world state. Of course, as understood here, multinational corporations, despite their global reach, have no cosmopolitan commitment, since their commitment is not to social improvement everywhere but to their own profitability. Still, the institutions that emerge from cosmopolitan commitments may have to rely on states in numerous ways, just as the institutions that promote the profitability of the multinational corporations have to rely on states. As global public goods develop through cosmopolitan commitment, they will have to rely, in part at least, on revenues from states. This reliance is less likely to turn them away from the social goals they pursue if they stay based on non-governmental organizations with cosmopolitan commitments.

So our response to the view that public goods, and in particular global public goods, must be statist has two parts. First, global public goods don't need a **world state**. Second, to the extent that they rely on **nation states**, that reliance is tempered by the cosmopolitan commitment of a variety of non-governmental groups.

As regards self-interest, we have seen that people will work for public goods out of a sense of solidarity even where there is no narrowly self-interested reason for doing so. If the state acts only from self-interest, then it will decline to pursue social goals whose benefits to the state may be less than their costs to it. To fix things, we don't have to resort to the patently outrageous thesis that states, in the present form of capitalist states, are in fact linked by solidarity. Their narrow self-interests lead them too often into hostilities and manipulations. Instead, it is sufficient to observe that states can be moved to show constraint in view of the activity of non-governmental organizations with a cosmopolitan commitment. Even where capitalist states exist, this gives an opening for starting global public goods.

The Hobbesian view of states gives them altogether too much autonomy from non-governmental activity with cosmopolitan intent.[10] Pressures from human rights, environmental, peace, and health groups have led states to open space within which progress can be made toward global public goods. The important point is that such openings have come about because of the solidarity those groups have with the far flung victims of one form or another of oppression. So there is a kind of justice-from-below that makes it impossible for states to pursue solely their narrow self-interests.[11] This allows for states themselves, even in their capitalist form, to play a role in the process of building global public goods.

6 Resolving problems about global public goods – disagreement

Finally, how can a world, as fractured as ours is, come to agreement on a set of social goals that can then be institutionalized as global public goods? Agreement on social goals is, as we saw in Section 4, an important element in the new concept of public good, one that was missing in the standard concept, which left it open to elites to select the goals that public projects would realize. If we think in terms of the conflicts between Muslim and Hindu, black and white, Palestinians and Israelis, and the General Agreement on Trade in Services and the poor make the project of global public goods, as based on agreement, seem almost hopeless.

To find a way around this problem, it is perhaps necessary to begin by shifting our perspective slightly. We need to recognize that agreement on social goals, which are the aims of public goods, is reached more easily among the deprived than it is between the deprived and those with plenty. Those with plenty don't have the same interest in, for example, national health insurance as do those with less. Rather than delay satisfaction for the urgent needs of those with less, it is perhaps wise to focus attention on the common problems of the great majority. There is also the other great divide between states and majorities within them. States often agree with one another on issues of wealth and power while being at odds with majorities within them. Again, rather than delay satisfaction for the urgent needs of those with less political voice, one would do well to adopt the perspective of those with less voice. It is possible to cut through the obstacles posed by demanding total agreement by focusing on the common problems of the great majority across the globe.

This is a shift of perspective from an elusive agreement of all to a more feasible agreement of a great majority. We need such a shift not just because total agreement is elusive across the globe but also because many of the same divisions make total agreement elusive within countries. The shift that is needed is then one from a consensus to a majoritarian point of view. The wealthy and the powerful, whether nationally or globally, will often find themselves outside the majority view. But they have the resources to try to prevent the development of and, if that fails, to overturn the rule of majorities of the more vulnerable. No apologies are needed when those with less wealth and power defend their views of society by national or global public goods. What needs apologies is that so far they have rarely been given the chance.

There are many examples in which on the global scene widespread agreement has endured despite efforts of corporations and states to undermine it. The desire for a secure and affordable supply of water is a widespread goal across the globe. That goal calls for international treaties to protect the distribution of water from multinational predators and to arrange for its fair distribution across borders. There is also a widespread desire for adequate healthcare that will not be satisfied until all nations can be part of an international system that has the funds to distribute the resources for improving health and providing healthcare. A World Health Organization committee headed by Jeffrey Sachs has estimated that eight million lives could be saved every year for $100 billion. The spillover in terms of income gained from people staying well would be $186 billion.[12] One could go on, talking about other areas such as education, peace, a sustainability, and job security where there is widespread agreement on a global scale. The great dissenters are the multinationals and the states that curry their favor.

What is lacking is mobilizing global majorities to create the public goods that will reach these goals. Of course, there is a powerful opposition not just to widespread agreement but also to mobilization. It has been diligent in preventing the transformation of any widespread agreement into action. That opposition is now pushing for a GATS that would require any WTO country not to discriminate against a foreign corporation that wants to take over its water distribution, its healthcare, its education, or most any service the country might have.[13]

With majorities favoring the pursuit of social goals needed to give them a secure existence, the attacks on those goals and their implementation can be regarded as anti-democratic. The response of those majorities should not be to abandon democracy, unless of course elites resort to force against them. These majorities should instead take full advantage of democracy by mobilizations that will lead to their winning the balance of power in democratic institutions. In this way, a majority force can implement the new concept of public good even in the absence of universal agreement. Global public goods will then clip the power of neolibealism. For those goods aim at goals on which there is widespread agreement rather than only an agreement among members of an elite. They are built through solidarity rather than by calculating spillovers. Finally, they rely on the cosmopolitan commitments of non-governmental groups to offset the self-interest of states.