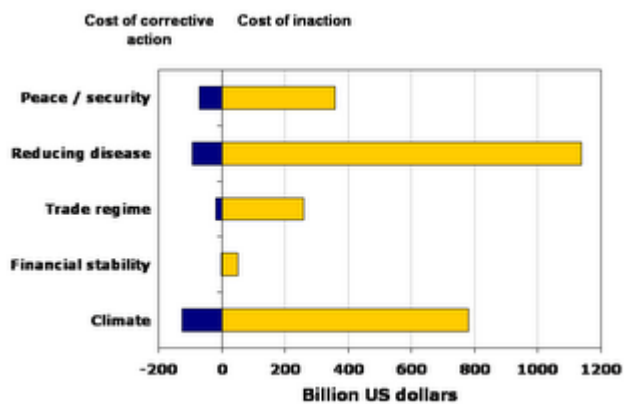


Global public goods - the Achilles heel of globalisation



Attended a stimulating session today on “[Global Public Goods](#)” ([FAQ](#)) run by the ubiquitous *penseurs* of globalisation, [E3G](#). The idea is that there are important global things [goods, services, networks, resilience, risk reduction] that are underprovided, for example: reduction in disease transmission, financial system resilience, stability of the the climate,

control of criminal networks, difusion of innovation, energy security and possibly values and norms like human rights. We underprovide mainly because of [collective action failures](#) – between nations (and between generations). [Public goods theory](#) stresses the [non-rival](#) and [non-excludable](#) characteristics of public goods, and these are useful characteristics to identify as they often foreshadow collective action failure. Well, they are useful only as long as the definitions are not applied too pedantically.

The chart shows one academic’s attempt to compare the costs of acting to address these challenges with the cost of inaction in a few of the areas classed as global public goods... Even if wrong by miles, *it still raises the question are we, and by how much, underproviding these things?* We could spend more on these things and be substantially better off but we don’t for a variety of reasons, including but not exclusively:

- Their global nature and the need for large numbers of countries or all to be involved, combined with weak institutions for co-operation.
- The fact that everyone benefits regardless of who pays so there are incentives to free-ride;
- Concern that spending on these things will displace aid transfers and compromise efforts to focus on poverty reduction (ie. the provision of private goods and national public goods in poor countries through overseas development assistance)
- That governments are often loss-minimisers and examine costs and

benefits asymmetrically, focussing on what they lose in co-operation with greater emphasis than on what they gain.

- Short-termism - and a huge discount rate applied to the value of future welfare

I think one of the most important things is to distinguish provision of global public goods from 'compassionate' spending, whereby we fund development and poverty reduction in poor countries for ostensibly altruistic reasons: ie. we are meeting an *equity objective* (we may hope for positive externalities in stability and improved trade too, but that's not the prime purpose). Global public goods are things *we all benefit from* but contrive to provide insufficiently, thus reducing our collective welfare. So we should see this a failure to meet an *efficiency objective*.

But in many ways that's the easy part... the real problem is *how* to achieve the necessary collective action... Knowing there is a robust economic case for doing it is the start, but how to fight through the seemingly irrational and self-harming [political economy](#) that actually does make the decisions about all this? One approach is to be clear what is new and interesting about analysing these issues through undersanding the characteristics of global public goods, and making clear distinctions between the case for providing these and the case for provision of private and national public goods through aid. Each of the public goods in question has subtly different characteristics and different reasons why it is likely to be under-provided... teasing those out will help. Once the underlying failure is understood and assessed, then the analysis should return to political economy and how to cause the necessary collective action to happen in the real world - informed by a new and fresh analysis of the underlying failure.

DfID is taking the initiative in taking this work forward with E3G, and that is to be welcomed!