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## **PUBLIC GOOD**

### **Definitions**

The idea of goods or services as 'public' rather than 'private' emerged in the context of attempts to understand, on the one hand, what was called 'market failure' in the provision of goods and services; and on the other, to make sense of that range of goods and services that tend to be provided by the state. Under conditions of market failure, markets, literally, do not form and so there is a problem of provision. This can be particularly acute where the production of private goods or services depends on that provision; i.e., where goods and services that can be and are produced for markets depend for their production on goods and services that *cannot* be produced for markets. Accordingly, much of what the state does is providing conditions of production that capital cannot provide itself. In order to understand the idea of market failure, consider the following examples:

- In many American cities, there is a demand for light rail service. Its attractions lie in its capacity for reducing commuting times and costs and congestion. However, it is likely to be underprovided by private firms since not all the benefits it provides are ones for which it can collect revenue. Consequently profitability is less than it might be. Stations provide enhanced access to those living close by and conceivably this will influence what people are willing to pay for the service. However, landowners also benefit and can extract increased rents from land in the

vicinity of stations. Yet this is not a benefit that the light rail company can charge them for. So revenues are less than they might otherwise be and the incentives to providing light rail service appropriately reduced, perhaps to the point that no service is provided at all.

- Consider now the case of air pollution from heavy industry. There is a good deal of evidence that it adversely affects the health of people living in the vicinity. Yet there is no market in clean air. The firms in question enter into markets in order to secure the labor power they need, along with the raw-materials and instruments of labor. But there is no market in air as a receptacle for their effluent. One result is that their production costs are reduced and their profitability increased. So clean air has certain public good characteristics; if it is provided, its consumption, even where that consumption degrades it, as in the case of the smoking chimney, cannot be restricted, for example, by charging for it. Like light rail, markets fail to emerge for the provision of clean air, and state intervention to control pollution, subsidize light rail, or whatever, is warranted.

In both cases, there are what are called ‘externalities’ at work. In the light rail case, the putative private company would provide benefits to landowners that it could not internalize: these are what are known as positive externalities. The benefits do not appear as revenues in the firm’s accounts and so profitability is less than it might otherwise be. In the air pollution case, the industrial firms are imposing costs on people, in the form of health costs, that they do not compensate them for: costs that, unlike labor costs, raw-material costs, do not appear in their accounts. These are negative externalities.

Again, in both cases, geography enters into our understanding. Air pollution has a geography, and so too, by definition, does access to light rail stations. There will also be various knock-on effects of a broader geographic scope. In each instance, housing markets over larger areas of the city are likely to be affected as the overall geography of residential desirability is altered. In other cases of public goods, however, or rather of their degradation, the effects may be less limited in their geographic scope. The obvious case here is global warming where market failure in the sale of the atmosphere for the

purpose of absorbing carbon will have effects on sea level that are world wide. This has implications for the geographic scale at which regulation should occur.

There are also, just as clearly, different degrees of publicness in the consumption of various 'goods' and 'services.' The benefits of light rail transit can obviously be internalized by the provider to a substantial degree; and if they were able to purchase the land around the (planned) stations prior to construction, or prior to news of construction leaking out, then the enhanced rents could also be appropriated, allowing more of the benefits provided to be internalized. The same goes for something like education. It has some features of a private good in that its benefits can be internalized in the form of enhanced career prospects and therefore wages. But some might argue that it also has some public features through instilling civic virtue and through the enhanced taxability of the wealthier. There is, in consequence, a public interest in providing education.

The carbon content of the atmosphere, on the other hand, with all its implications for the earth's energy budget and therefore for global warming, is as pure a public good as it is possible to imagine. This is because the privately appropriable benefits that accrue to a firm that engages in reduction of carbon emissions are so infinitesimally small. Rather the benefits are almost entirely public and beyond internalization by the firm in question. Yet recent attempts to create a market in rights to use the atmosphere as a repository for carbon through the idea of carbon credits, suggest that this might be a premature conclusion; rather that the degree to which a good is public or private depends on the degree to which it has been commodified so that it can enter into market transactions. Some goods might seem to be more easily commodifiable than others. Capitalist societies, however, have proven extraordinarily adept in pushing back that particular frontier. Among other examples, one thinks of the way in which recording instruments in automobiles can connect with stationary monitoring equipment, so allowing a market in urban space to emerge with the consequence of forcing motorists to internalize the costs of the congestion that they impose on other motorists. So it would seem that whether a good is more public than private or vice versa is far from set in stone. This is not just a

matter of technology. Institutions are also important as in the attempt to create a world market in carbon credits.

One thing that is already clear is that the distinction between the public and the private is a very slippery one indeed. This is not just because what seemed to be public can become private, or at least, more private than it was. It is also the fact that the provision of what we regard as private goods depends upon the provision of ones that are more clearly public. If private goods are to be produced, then there have to be institutions to protect private property and enforce contracts, and that provision cannot be private since it is itself subject to market failure. Typically, of course, this is where the state steps in, though we should be careful not to reduce public provision to that particular mode. The state has not been alone in providing those conditions for capitalist production that capital cannot provide itself. Historically the reproduction of labor power has depended substantially on the institution of the family as well as on mutual aid mediated by wider circles of kin and friendship. Without the fact of trust in the relations of firms one with another, with their workers, and consumers, an economy based on exchange would break down entirely. The recent literature on governance also underlines the danger of a simple state-market polarity in talking about public goods.

Even so, the state in the advanced capitalist societies is hugely important in the provision of a wide range of goods and services, including highways, education, financial support for the unemployed, public health and in some instances housing, mass transit, airports, public parks, to mention only a few. As recent rhetoric around neo-liberalism and pushing back the boundaries of the state reminds us, however, the identification of what is public and therefore appropriate for state as opposed to private provision is highly contested. This is not just a matter of changing technology and institutional possibilities as might have been implied by the discussion here of urban congestion and carbon emissions. Rather it depends a great deal on just how desperate capital is to widen its opportunities for profit making, and this is something that varies over time in accord with the rhythms of capital accumulation on a global scale.

## **Applications in Human Geography**

As far as human geography is concerned the idea of public goods and the drawing out of their geographic implications makes its historic entry early in the nineteen-seventies. The background to this was the interest in social relevance. This was in part and in turn a critique of the spatial-quantitative work of the 'sixties and its inability to cope with issues of power or the state; but also, and quite indissolubly, it was a response to the sense of an urban problem subsequent to a heightened awareness of inequalities in the city brought about by the civil rights movement. Human geography was not alone in this. The field of urban economics underwent vigorous growth during that period, and from virtually nothing, and while it was less radical in its approach than what ensued in human geography, particularly in its public choice incarnations, its emphasis on externalities, public provision and the proper role of the state was an important catalyst.

With respect to that period and the enlivening of work on a more socially relevant human geography through the introduction of ideas about public goods, state provision and externalities, two names stand out: David Harvey and Julian Wolpert. Harvey's direct contribution was more fleeting, corresponding to what he termed in his book *Social Justice and the City*, his liberal phase. Of particular interest is his paper on urban form and the redistribution of real income which appeared as Chapter Two in his book. It testifies to a more than passing immersion in the urban economics literature of the time and an ability to draw out its implications for the politics of geographic change in the city. It was largely through Harvey that the idea of externalities entered the geographic literature.

Like Harvey, Wolpert had been a central figure in the spatial-quantitative revolution, but something of a maverick, calling into question some of the underlying social assumptions of that work. Initially that had to do with the impossibility in a geographically differentiated world of the assumption of perfect information. The post hoc predictions of location theory just didn't seem to work. By the early 'seventies, and in the same vein, he had turned to the question of how power relations condition location and it was through him that the important idea of locational conflict entered the literature.

Through the work of Wolpert and his students, like Michael Dear and Jennifer Wolch, locational conflict became one of the more enduring ways in which the idea of externalities and therefore public goods assumed a role as part of the conceptual apparatus of human geography. The idea was a simple one but with important ramifications. Wolpert's attention had been originally drawn to the politics surrounding the urban renewal and highway projects of the 'sixties. People were impacted by them in their residential neighborhoods and this often resulted in opposition, and then attempts on the part of the state to co-opt and defuse. Apart from the fact that the idea was a nice rebuttal of the frictionless location process implied by location theory, on reflection it was found to have substantive applications of considerable breadth. Elaine and Julian Wolpert, for example, went on to show how it could be applied to the concentration of halfway houses for those released from mental institutions. Still later it was to resonate with what became known as NIMBY-ism and was developed by Robert Lake in new ways; Lake's contribution was to show that conflict over the location of land uses regarded as nuisances depended on the degree to which those land uses were needed, and therefore on the 'production' of garbage, a population of the homeless and so on: in short, productions of external effects that were subject to social control.

A second development in the 'seventies that clearly followed on from the introduction of ideas of public goods was that of welfare geography. This idea was already implicit in Harvey's essay on urban form and the redistribution of real income. Externality fields had obvious and divergent effects on people's well-being. Market forces, particularly the real estate market, mediated access to those externalities and tended to reinforce the inequalities resulting from the distribution of the product among profits, rents and most variably, wages.

An additional layer was added by variations in public provision: variations, that is, in the provision of education, public safety, and other services like street lighting and recreational facilities. In the American metropolitan area these variations could be considerable as a result of a quite distinctive and intense jurisdictional fragmentation. Again, the real estate market played a part in access to these public goods: public in the

sense that they were not provided through the market, there were difficulties in such provision, and the state had assumed responsibility. Housing values were bid up where the tax rate / public provision combination was more favorable and bid down, so allowing purchase by poorer families, where it wasn't. Accordingly geography entered into an understanding of welfare geographies not simply through the fact of differentiation but also through the movements, particularly residential, that mediated access.

Much of this literature, however, was of a highly descriptive nature. Seemingly the major objective was an identification of the variations, and how poor people were the ones who ended up with the least favorable bundles of public goods and in those neighborhoods most exposed to the negative externalities of air pollution, traffic congestion, crime and so forth. The ideas of territorial justice and the importance of introducing some redistributive measures, if only implicit, were typically present. In short, welfare geography was stuck in what one might call, not too unkindly, a liberal rut. To the extent that there was analysis it was in terms of the dynamics of a market economy and the role that competing local governments and neighborhood organizations played in attracting in land uses with positive externalities and pushing the negative elsewhere. This was useful and certainly helped shed light on Harvey's old problem of the distribution of real income. It also endures in work on environmental justice. But as I will show, it had quite severe limits and assumed more than it should have done.

A third and more recent application has been to understandings of the politics of local and regional development. This returns us to the complementarity between state and capital; how the state depends on capital accumulation for its revenues, but in turn, without the state capital lacks some of the conditions necessary for that selfsame accumulation process. It also moves the analysis away from the concern with living place issues that was apparent in the work of Harvey and Wolpert, and indeed, in that on welfare geography. The literature in this area has grown rapidly since the 'eighties. A central motif has been the competition for inward investment and the role that 'business climate' plays in attracting it in. The idea of public goods and externalities as essential features of that business climate and something that local government and whatever local

governance mechanisms there are should attend to has been more implicit than critically scrutinized, however.

Finally, in this brief survey of how ideas of publicness in provision have affected human geography we should make reference to work on the state and its territorial structure: not just the fact that the state enjoys constitutionally and statutorily given powers with respect to a bounded area, but that it also operates, to some degree, through what might be called a territorially-defined scalar division of labor – local, provincial and central branches, for example. The fundamental premises here are, first, that states provide goods and services which, in virtue of their public effects, can be provided through markets only with difficulty; and second that the externalities that occur in their provision have geographies that recommend some sort of internalization – via the state – of a similarly geographically restricted form. This is the conception advanced by one of the most frequently cited writers on the topic in the geographic literature, the sociologist Michael Mann. Interestingly his understanding is quite close to the neo-classically inspired public choice understandings of the state, as in the work of Gordon Tullock. Mann makes no reference to the state’s territorially-defined scalar division of labor, but the public choice literature certainly did, drawing attention to differences in the externality fields of different activities; so there is a logic to providing local government with powers over the regulation of land use where externality fields are spatially very limited, but not over the provision of limited access highways of national scope. On the other hand, ideas about the implications of jurisdictional fragmentation for facilitating the realization of diverse preferences for public goods, ideas originally attributed to Tiebout, have also played a role in arguments about the appropriate allocation of powers and responsibilities to different levels of the state’s territorial hierarchy.

### **Public Goods, Externalities and their Necessary Conditions**

Finally in this article, how might we develop a more critical position on the question of public goods, particularly as they relate to human geography? What are the underlying assumptions that are typically taken for granted and left unexamined? And how might public goods, externalities, the practices surrounding them, relate to broader, more all-

embracing conceptions of the social, or more accurately the socio-*spatial*, process? Several points can be made here.

1. The first is the socio-historic specificity of public and private goods and the distinction between them. They assume a world of commodification, one in which commodities are produced with commodities, but in which commodification encounters barriers. Not all goods and services can be commodified. Yet it is on the provision of some of these in some form or other that the commodification of other goods and services depends. Initially these would have included a legal system through which to enforce private property rights and contracts. Later, some regulation of the money supply that was above the imperatives of the market place would have been necessary. Historically, we have seen, this provision of goods and services in the non-commodity form has tended to be through the state, though not exclusively.

2. The second point has to do with how we should interpret externalities. The standard view is simply one of market imperfections that can be eliminated. This can be achieved through the provision of appropriate monetary or regulatory incentives or, where positive externalities are of such a magnitude as to preclude private provision, assigning production to the state. There are alternative understandings. The one I want to explore here is a reinterpretation in terms of contradictions within the capitalist mode of production. The capitalist mode of development is characterized by an unprecedented socialization of production. There is an extensive and intensive interdependence mediated, among other things, by the division of labor and by means of production that are worked on or with collectively. It is through that socialization that productivity and so production are enhanced. This social character, however, the development of all round interdependence, enters into contradiction with the way in which the product gets appropriated; i.e., privately. The structurally-given goal of the capitalist is not to facilitate the net revenues of others but to enhance her own. To the extent that production generates negative externalities, then they are to be dumped on others rather than internalized, and regardless of how this affects the social character of the conditions on which individual production depends, such as the reproduction of some shared resource. Where the use

values produced cannot be sold or sold only with difficulty, but they are nevertheless necessary conditions of production, then, and assuming a logic of individual profit maximization, they won't get produced.

Examples are not difficult to find. They would include:

- Issues in the reproduction of labor power: These are a mixture of negative externalities like pollution and health and safety in the workplace, and market failures in the provision of use values; use values that, because they benefit other capitalists don't get produced. Capitalists systematically under-invest in the training of workers given the fact that workers are free to leave, take their talents with them, and so provide other capitalists with a free good. Likewise, capitalists don't support workers when they are unemployed. They want workers to stay around until business picks up again, but there is no guarantee that former workers who they might well have otherwise supported won't be rehired by other firms.
- The commons: The overpumping of aquifers, over-fishing of the oceans and over-use of the air as an absorber of effluents are well-known examples. Since in these instances an essential condition of production is free, profitability is higher, encouraging increased investment and use, and so the erosion of the common resource base itself. In other cases common resources can result in under-investment as in neighborhoods and disincentives to rehabilitation of properties.

3. Just as clearly, this contradiction between the social character of production and the private character of appropriation tends to get suspended. Shared conditions of production subject to market failure in their provision do tend to get provided. There are regulatory initiatives designed to limit the erosion of the commons. The state is of major significance in all these instances, though the role of various forms of inter-firm governance should also be recognized.

But the important qualifiers are 'tend' and 'suspend.' The public and the private, the sphere of the production of goods and services in their public form and the private

economy, exist in a relation of considerable tension. While capital requires state intervention if it is to accumulate, it also resists it, typically producing the degraded, inadequately funded public sector of which Galbraith complained so many years ago in *The Affluent Society*, but also in more class-specific forms than he would have admitted. The general support of the labor movement for greater state intervention, and historically for the planning that promised to internalize externalities by eliminating the hostile relations between firms, and between firms and labor, is not coincidental. Even so, the discursive environment has tended to work to the advantage of capital. The powerful notion of money as the measure of all things – if contested by, among others, the environmental movement – has been an essential part of the debate about state regulation and provision. The emphases and silences of cost-benefit analysis are eloquent testimony to this and can be turned to capital's advantage when it demands state intervention as well as shedding doubt in those instances where it is resisting it.

Furthermore, the contradiction is never abolished; it is merely suspended, only to be displaced somewhere else, some other time, in some other form. Shifting provision into the public realm does not eliminate negative externalities. State agencies have their own agendas and their different policies often work counter to one another, as Theodore Lowi demonstrated. And the very fact that the state must obey capital's laws of motion if it is to tax and so obtain the revenues necessary to carrying out its functions means that internalization in one place will be accompanied by externalization onto another. Through land use planning, local governments can regulate land use so that synergies are exploited and the incompatibilities that would lower land values avoided. But local governments have no incentive to make their plans compatible with those of their neighbors.

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