

# Public Goods

## The Hidden Products of Public Service

By June Sekera

There is a growing movement in the United States to recognize the role of government in providing the “ecosystem” that supports market-based commerce and business activity. While this is an important and useful development, there is still a widespread lack of recognition of the things that government provides directly to and for citizens and communities, as well as businesses. There is little appreciation of the “non-market” environment in which government operates.

The government supplies goods and services every day. Here are a few: clean air, a clean public water supply, street lights, food and drug safety, 911 service, police and fire protection for homes and businesses, wastewater treatment and sewer system, an interstate highway system, education, health care, national defense, a currency system, weather forecasting, disaster relief, registration of property, births and deaths, libraries, basic R&D, jogging trails, public parks, insurance of bank deposits, air traffic control, airports and shipping ports. There are scores more.

Curiously, we don’t have a name in common parlance that encompasses all the vast variety of products and services government supplies, or a concept that recognizes that government delivers them in a “non-market” environment, which is extraordinarily different from, and much more complex than, a market environment.

“Public goods” is the term we need. Public goods are what governments produce on behalf of their citizens. “The history of civilization,” writes Martin Wolf of the *Financial Times* “is a history of public goods.”

Mainstream economics defines “public goods” in terms of market forces. In the classic economics model public goods are characterized as being a “problem” because the market under-supplies them because of “externalities”, “free-riders”

and other theoretical contrivances. The real problem is that mainstream economics has no concept of non-market production, although government in reality produces and delivers in a non-market environment.

So, a constructive and useful idea of public goods has been submerged by mainstream, “free market”, economics. This issue is not merely theoretical or rhetorical. A concept of public goods is immensely important, both to those in public service and to citizens. Why?

- The absence of a widely-held, constructive idea of public goods robs public policy makers, leaders, managers and all government workers of the concept that is most central to their reason for working.
- Its absence in public discourse denies citizens the ability to have an informed conversation, or to make informed decisions about things that matter mightily to the quality of their lives and their communities.

An awareness of public goods is sorely lacking in U.S. public discourse and in the public mind. Astonishing proportions of Americans are unaware of the government goods and services they actually receive. In 2008, Suzanne Mettler of Cornell University documented the extent to which people who benefit from federal programs insist that they “have not used a government social program.” Among those who claimed they didn’t get government benefits were 44 percent of Social Security recipients, 53 percent of student loan recipients, and 60 percent of those who took the home mortgage interest deduction. In her book and articles on “the submerged state,” Mettler shows how government’s role has been hidden, “making it largely invisible to ordinary citizens.”

A few scholar-activists are beginning to shed light on the damage to government policies and rhetoric that suppress the concept of public goods, including

disinvestment in governmental capacity, expertise and technology and deterioration of public services and infrastructure.

In addition to getting the idea into public discourse, we also need a concept of “public goods” in our own vocabulary as practitioners, to help us improve our practice of governance. Public service is different from private sector work in fundamental ways that are not generally recognized.

Working and managing in the public domain is far more complex than managing in a market environment – in a business. This is because:

- in a non-market, there is a third-party payer (the legislature, City Council or Congress),
- the work is mission-driven, not revenue-driven. The purpose is to solve problems without simple solutions, not to produce easily-tracked profits.

The combination of these two dynamics, particularly the fact that public goods are paid for collectively and not individually by each person served, makes managing and accounting for results in government enormously complicated.

The bottom line for government is not the production of profits but achieving the goals of your program. Public managers must achieve and demonstrate success for three constituencies: the direct beneficiaries of your service; the “elected funders” – Congress, state legislatures, city or county councils, who provide your funds; and the public at large.

Those of us who have spent years leading or managing a government program or agency know this; this is not news. Yet, opinion-makers, political candidates and office holders, consultants, academicians and economists keep telling us to “run government like a business.” While it is true that government can learn from and be improved by many of the management and operational techniques developed

within businesses, transplanting these models without recognizing the differences between markets and non-markets too often leads to confusion at best, or a degrading and eventual elimination of services at worst.

There is another problem: “accountability.” Public sector performance measurement has been ill-served by accountability systems transposed from the private sector. In government – in a “non-market” – how do you measure your results? If your mission is to deal with a complex problem like polluted air across state borders, regional damage from a natural disaster or ensuring food safety, how do you define success?

The bottom line for government is achieving the goals of the programs we operate and the agencies in which we work. But setting standards and tracking the achievement of goals is tricky, amorphous and fraught with dangers like unintended consequences caused by inappropriate measures. Most accountability systems derive from practices designed for profit-driven businesses and are grafted onto mission-driven government. Those systems fail to recognize that, due to the dynamics of non-market production, government must have uniquely-designed ways of measuring outcomes. An effective measurement system must recognize the realities of non-market production and must be premised on clear goals aligned with a concept of public goods.

Lastly, it is rarely seen as the job of public servants to communicate results to the public. Thus, citizens -- as Mettler showed -- are uninformed about public goods they themselves have received. This must change if citizens are to have the knowledge they need to make informed decisions.

Although we live in a capitalist society and markets provide most of our commodities, government makes up

CONTINUES ON PAGE 10