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Providing (Contested) Global Public Goods

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Introduction

Many perceive globalization as a chequered process that has, in part, highly appreciated aspects, and in part, highly controversial and therefore contested dimensions. Many, for example, enjoy the enhanced connectivity that has been brought about by the expanding international communication and transportation networks or the ease with which commerce can be conducted today, due to integrating banking systems and financial markets.

At the same time, views on various aspects of the multilateral trade regime or the international financial architecture often differ widely, for example assessments of where best to focus international health efforts or how to approach building and maintaining international peace and security.

The welcomed dimensions of globalization are frequently being taken for granted, while the more controversial ones tend to attract considerable political attention, contributing to making globalization's threats and shortcomings stand out more than the new, added opportunities that greater openness of national borders affords. Controversy stalls international cooperation, trapping the world in a 'bad' equilibrium of sub-optimal global public good provision, continuing, and perhaps even, exacerbating global crises?

But what contributes to some aspects of globalization being contested while others are welcomed? And what are desirable and feasible policy options for reducing the risk of controversy?

These are the questions at the centre of this chapter. The aim is to suggest, based on existing literature and data, first answers in the form of predictions to be tested in future research and studies.*

The predictions emerging from the discussion are:

- I – Contestation occurs where low publicness in utility coincides with high publicness in either consumption, provision or both. This means, the net-benefits of the global public good in question are distributed unevenly across countries/population groups, generating significant gains for a few,

yet only limited benefits, or even, costs for many others. However, all are potentially affected by the good and compelled to contribute to its provision.

- II – Prominent among the contested global public goods are global norms that seek to redraw conventional lines between ‘private’ and ‘public’ – to the detriment of influential incumbent actors.
- III – Competitive – that is, participatory – global governance reduces the risk of controversy, notably at the negotiation stage of global public goods provision, as it facilitates a swifter alignment of divergent interests.
- IV – Greater reliance on private goods as building blocks of global public goods is another possible way of reducing controversy, notably at the stage of follow-up to international agreements and other global norms and expectations, as it offers individual actors stronger incentives and more flexibility to contribute to a common goal.

These points will be developed as follows. Part one introduces the concepts of public goods and global public goods. Part two presents empirical evidence on some of the key characteristics of non-contested and contested global public goods, leading to predictions I and II. Part three discusses possible policy options for avoiding contestation, distilled as predictions III and IV. The concluding section summarizes the main arguments set forth in this chapter.

Differences in preferences are normal, and in many respects, ‘here to stay’. Public goods, especially global public goods are more prone than private goods to be subject to varying views and valuations, precisely because they are in the public domain, affecting all. So the goal cannot be to avoid discussion about these differences but to bring them out into the open. In a globalizing and increasingly interdependent world, problems need to be resolved lest they continue to roam the globe. To resolve them, effective international cooperation is often required. And this means that win–win bargains are required – agreements that provide strong positive incentives for all to cooperate, in their own self-interest as well as to their mutual benefit.

Introducing public goods and global public goods

The goods (and services) that people consume or use in other ways fall into two main categories: private goods and public goods.¹ Private goods are those that can be made exclusive: Property rights to them can be clearly established; they can be owned – and traded, for example, against payment of a price in markets.

Publicness in consumption

In contrast to their private counterparts, public goods are non-exclusive: available for all to consume. And often, people may have to consume a public good, that is, live with its effects whether they enjoy doing so or not. For

example, they may benefit from medical and pharmaceutical research and development efforts that have been undertaken by previous generations to develop a cure against diseases such as polio or tuberculosis. Or, they may suffer from the more violent weather patterns that are predicted to be associated with global warming, although they themselves may have contributed to the current levels of greenhouse gas emissions in the atmosphere only in a marginal way.

Public goods are the goods that people encounter in the public domain.² There are two aspects that are particularly important to know about these goods in the context of the present chapter.

First, publicness or privateness is in most instances not an innate property of the good. Rather, it often reflects a choice made by society or various societal groups. To illustrate, given today's state of knowledge and technological development, it would be feasible to reduce various environmental pollutants, provided the requisite political will and willingness to pay existed. Hence, continuing pollution often reflects a political choice (e.g. unwillingness on the part of policymakers to take corrective action so as not to lose the support of important constituencies).

Second, the benefits or costs of public goods can be of a different geographic and/or temporal span: local, national, regional or global.³ They may even span across one or several generations. Accordingly, global public goods are public goods with costs and/or benefits that reach across national borders and geographic regions, and sometimes, also across generations.⁴

In other words, globalness constitutes a special dimension of publicness, and in most instances, also results from a political choice – e.g. the removal of at-the-border barriers like international trade taxes or capital controls, allowing markets to integrate and the public domains of countries to become interlocked. Only some global public goods are by nature global and public. The moonlight or the warming rays of the sun are examples. Many other global issues constitute globalized (formerly essentially national) public goods.⁵

Publicness in production

The main attribute of a public good is its publicness in consumption, being available for all. However, public goods are also increasingly marked by publicness in provision – requiring inputs or contributions in cash or in kind from a multitude of actors, public and private, and in the case of global public goods, national and international.

The production-side definition of public goods still offered by standard public finance/economics theory is that these goods are state-provided. However, this definition echoes how things were at an earlier time, around the mid to late 1950s, when public goods were first defined in a rigorous way (see especially Samuelson 1954). But today, after several decades of rebalancing the roles of markets and states, leading to greater partnering between the private and the public sector, public goods are generally *multi-actor products*,

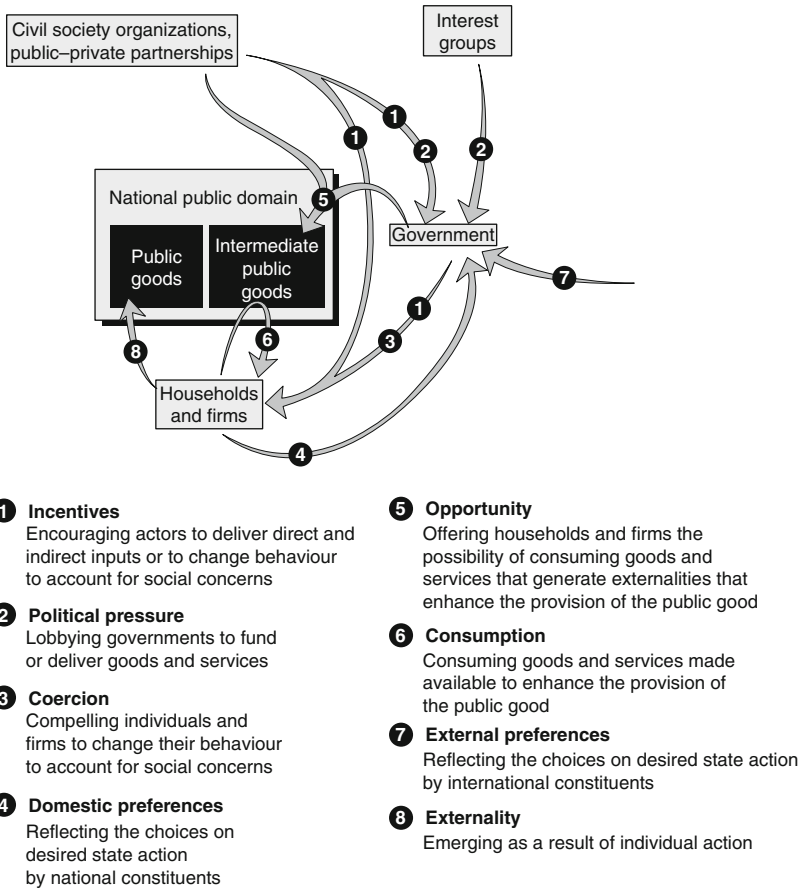


Figure 3.1: Production path of national public goods

Note: The figure is based on the assumption that the good follows a ‘summation’ aggregation technology. Intermediate public goods (like norms and standards) serve as inputs to a final public good.

Source: Kaul and Conceição (2006b: 12).

emerging from public (state) as well as private contributions (see also Figure 3.1).⁶ The role of the state is often focused on providing incentives to private actors, encouraging them to take not only private interests but also social concerns into account (e.g. for a private actor to consider not only the ill-effects of smoking on one’s own health but also the ill-effects of smoking on by-standers).

Many global public goods are multi-actor products not only in the sense that both public and private actors contribute to their production,

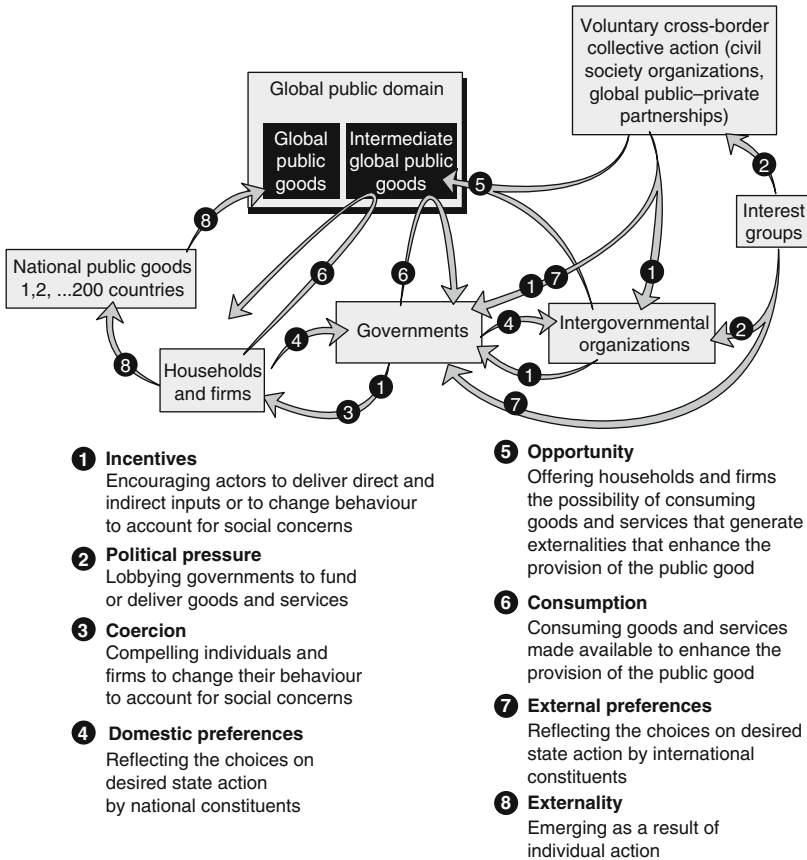


Figure 3.2: Production path of global public goods

Note: The figure is based on the assumption that the good follows a ‘summation’ aggregation technology. Intermediate public goods (like norms and standards) serve as inputs to a final public good.

Source: Kaul and Conceição (2006b: 14).

including their financing. But they also require both national-level as well as international-level action (see also Figure 3.2).

National and global public goods are often closely linked (arrow 7 of Figure 3.1). National public goods are the main building blocks of summation-type global public goods (Figure 3.2). International cooperation of various types (arrows 1, 2, 4 and 5) may alter the behaviour of individual states or private actors (arrows 3 and 6), generating the required national contributions (arrow 8) to the global public good.

Important in the context of the present chapter is to underline that while many global public goods follow such a summation process, significant variations may occur.⁷ Two aspects are again worth noting.

First, the public effects to be summed up can be either perfectly substitutable or non-substitutable. Substitutable public effects lend themselves to trading arrangements. Reductions in carbon dioxide emissions are a case in point. If actor B can reduce emissions more cheaply than actor A, actor A might pay actor B to provide A's contribution.

By contrast, if the challenge is to correct non-substitutable public effects, corrective action is location-specific: it has to be undertaken on a country-by-country, and often, even actor-by-actor basis. For example, only to the extent that certain infrastructure exists in all countries, will a globally integrated civil aviation system emerge. Or, public health services, including monitoring arrangements have to be improved everywhere to achieve an effective control of such communicable diseases as SARS or tuberculosis.

In summation cases like disease (e.g. polio) eradication, which involve non-substitutable effects, the smallest contribution will determine the overall provision level of the good. The same holds for terrorism control through improvements in aviation security. If such 'weak link' situations arise because an underproviding country lacks adequate resources, it might be in the enlightened self-interest of resource-richer countries to financially support the poorer country. For example, as Sandler (2006) argues, richer countries gain little from continuing to upgrade their airport screening facilities if other countries are not doing the same.

Second, cross-border collective action differs from that at the national level in that the latter can rely on the coercive powers of government but the former depends on sovereign states making their own policy choice. This does not imply that states don't face political pressures or other compulsions (like the more and more real threat of global climate change). Rather, it means that they will weigh all likely – economic and non-economic – costs and benefits associated with investing or not investing in the provision of a particular global public good and then perhaps choose the most preferred course of action from their perspective, even if this is only the least-cost one.

The 'voluntary' nature of cross-border collective action thus brings into focus the incentive challenges that a global public good presents, notably the distribution of its costs and benefits across actor groups. It raises questions like: Who is motivated, and how strongly, to enhance the provision of a good? If preferences do not overlap, how could a better match of incentives be achieved? By offering a 'carrot' such as compensatory finance? Or by adding 'teeth' to an agreement, stipulating for example, that non-compliance will lead to trade sanctions?

In sum, then, global public goods are public in consumption – potentially affecting all; and many of these goods are also public in provision – no

individual actor could – or, would be strongly enough motivated to – provide them unilaterally.⁸

Why some global public goods are of a contested nature and others are not

Although most global public goods share the two basic characteristics of publicness in consumption and provision, they meet with quite different policy responses. Some are generally welcomed by *the public* – people at large; and others become embroiled in controversy and conflict. Just think of the protests that have accompanied discussions about issues of international trade and finance at meetings of the World Trade Organization (WTO), the International Monetary Fund (IMF) and World Bank, or the Group of Seven/Eight major industrialized countries (G-7/8).

Yet among the contested global public goods are not only issues like the trade regime and the international financial architecture but also cultural and political norms like those pertaining to gender equality and reproductive rights, banning corruption, practices to observe when constructing large dams, or the international community's right to intervene into domestic affairs of sovereign nations.

Among the generally appreciated – non-contested – global public goods are: the international postal system; the international transportation system, including for example, civil aviation; the technical norms and standards like those formulated by the International Organization for Standardization (ISO); or even, the harmonized form of national passports that facilitates emigration and immigration worldwide.

So, why are some global public goods welcome while others stir up controversy?

Factors contributing to contestation

A thorough investigation of this question calls for issue-specific empirical research as well as comparative analyses across issues and studies. As this lies beyond the scope of this chapter, the aim here will be to formulate, based on available studies and the data they contain, tentative answers to be tested in future research.

The tentative answer to 'Why do some global public goods encounter controversy?' is:

Prediction I:

Contestation occurs where a global public good is marked by low publicness in utility but high publicness in either consumption, provision, or both.

Low publicness in utility: a necessary but not sufficient condition of controversy

International relations theories and other social science literature examining issues of international cooperation argue that critical to effective international cooperation is that the cooperating parties perceive collective action as yielding significant and fair net-benefits for all (Axelrod 1984).

By implication, one could assume that contested global public goods will be marked by a highly uneven distribution of net-benefits, generating relatively large gains for a few and modest benefits, or even, costs for others. In other words, contestation is likely to arise where the good is marked by low publicness in utility.

A frequently cited example is the use of trade distorting agricultural subsidies and tariffs by industrialized countries.⁹ Farmers in these countries demonstrate against their removal, while developing countries as well as some foreign aid agencies and non-governmental organizations like OXFAM and Third World Network, which are concerned about global development, support their abolishment so as to enhance income opportunities for many farmers in poor nations. Removing agricultural trade distorting measures in rich countries could increase economic welfare in developing countries by about \$42 billion according to one estimate (Anderson, Martin and Valenzuela 2006: 6). Yet, to understand contestation around trade, the distinction between industrialized and developing countries may need to be refined further. For example, fully abolishing current restrictions to trade could make some developing countries, notably those in sub-Saharan Africa, relatively worse-off than in the current system, given that their exports presently benefit from preferential treatment by some importing industrialized countries, and the fact that liberalization would make other large developing countries very competitive (see also Figure 3.3).

This illustrates that the question of who benefits or incurs losses from which design aspect – and/or which provision level – of a global public good is often a highly complex issue to determine. Furthermore, the data on the multilateral trade regime presented in the Appendix shows that to reap the benefits from international trade, spending on trade facilitation, e.g. on constructing and maintaining new ports, roads and other infrastructure, notably to get domestic products to international markets, would be required. For many countries, the costs involved in these types of investment may be unaffordable, rendering the promises of these additional benefits for trade elusive.

Or, take the case of climate stability – also presented in the Appendix. According to the figures shown, the ‘big’ gainers seem, at first sight, to be the developing countries. However, the figures do not take into account that industrialized countries have contributed most to the over-burdening of the atmosphere with greenhouse gases, and hence, to the emergence of the risk of climate change. Considering this fact, many developing countries feel that industrialized countries should shoulder the primary responsibility for

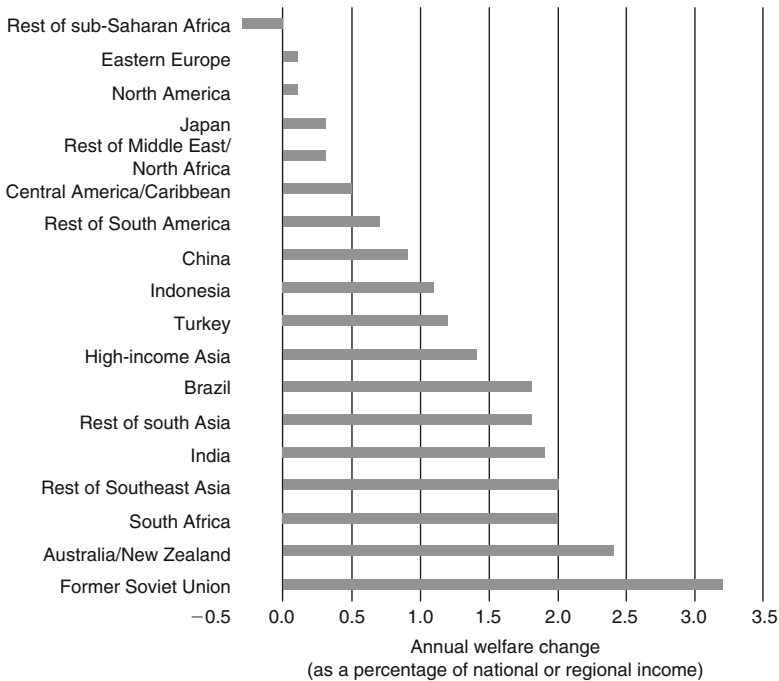


Figure 3.3: Differentiated impact of trade policy reform

Source: Conceição and Mendoza (2006: 342).

corrective action. The net-benefit potentially accruing to developing countries thus indicates not a real gain, but rather the damage, that will be inflicted on these countries if industrialized countries do not take decisive corrective action in good time.¹⁰

The estimates of benefits and costs underlying the first part of the Appendix only take account of the direct financial implications of the current underprovision of the global public good in question and of the suggested corrective action. They do not reflect actors' valuations of these goods, i.e. the relative priority or preference they may assign to the good. Yet actors' preferences are usually shaped by more than just these direct financial considerations. Variations in preferences also stem from factors like differences in levels of development and income, geographic and climatic conditions, or socio-cultural and political traditions. In fact, such differences are often wider globally, i.e. between people worldwide (without considering the national borders between them) as well as between countries than within countries.¹¹ Yet, to express them in monetary terms and to include them in cost/benefit assessments presents many methodological problems, as the literature on contingent valuation has shown (Carson, Flores and Meade 2001).

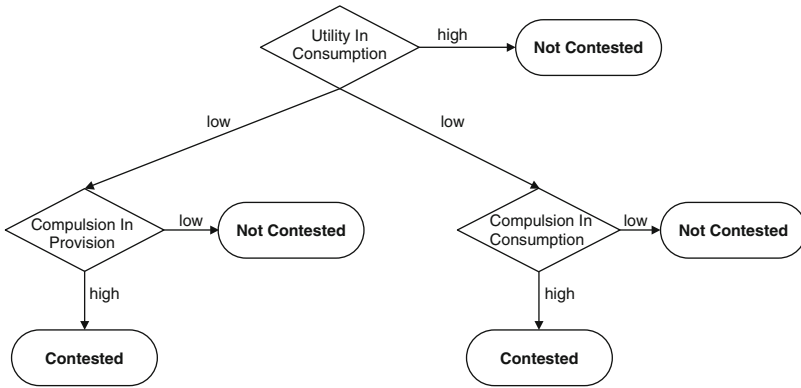


Figure 3.4: Political-economy tree of global public good provision

Nevertheless, even based on the limited data available, it seems that an uneven distribution of net-benefits or low publicness in utility tends to be associated with contested global public goods. But does this condition alone explain contestation?

It seems not. Some global public goods also generate such unevenness but they are not subject of controversy. For example, many elements of scientific knowledge are potentially available for all to consume, in a nonrival way. Yet, at least in the short and medium term, some (e.g. richer and older population groups) may benefit much more than others (e.g. younger and poorer people). And yet, there seem to be few, if any protests against the provision of such research.

High publicness in consumption and/or provision

Evidently, low publicness in utility is not a sufficient condition for open dispute about a global public good. While perhaps a necessary condition, it appears that low publicness in utility has to coincide with other, additional factors in order to generate controversy. These factors might include: 1) high publicness in consumption; and/or 2) high publicness in provision (see also Figure 3.4).¹²

Consider for example, the policy wave towards privatization and economic liberalization that has, especially since the early 1980s, swept across countries worldwide. They contributed among other things, to the production of the global public good ‘economic openness’ or ‘integrated markets’. Yet, at least in the short and medium term, they often entailed high costs for many population groups and many countries, notably developing countries. Yet, they were often handed down by international donors to developing countries in the form of loan conditionality: they had to be implemented and complied with – provided and consumed.

The result often was protracted and severe protest against these reforms, nationally and internationally. The realization that ‘institutions matter’ and reforms – in order to be less costly – need to be designed and implemented in a country-specific way came in large measure, through the pressure exerted through these protest movements (Teunissen and Akkerman 2004).

Or, take some of the initial proposals for the agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) that many perceived as generating outright disutility – a threat to people’s health and survival. It was feared that TRIPS would increase the costs of pharmaceutical products – pricing them out of the reach of poorer people. Yet, at the same time, TRIPS like other trade rules, are subject to close monitoring and enforcement of compliance – production and consumption. The reason is that in order to be effective, these rules need to be institutionalized and adhered to as widely as possible. In other words, trade rules like many other global norms are marked by high publicness in provision and consumption. Not surprisingly, thus, TRIPS, too, became the subject of considerable controversy.¹³

Prediction II: recognizing potentially controversial global public goods

Determining publicness in consumption, provision and utility is not an easy task, as it often requires extensive data collection and research. So, is it possible to recognize – in advance, before controversy erupts – the global public goods that are likely to stir up controversy? What distinguishes them from non-contested global public goods?

Again, a tentative answer to this question might be:

Prediction II:

Prominent among contested global public goods are global norms that seek to redraw conventional lines between ‘public’ and ‘private’ – to the detriment of influential incumbent groups.

To illustrate, one of the implications of TRIPs is to reinforce the protection of intellectual property rights, or in other words, to limit more stringently public access to knowledge, at least for a certain number of years. Or, take the Kyoto Protocol on climate change. By proposing to cap countries’ emission levels, it restricts public access to the atmosphere through the introduction of a new private good, viz. emission allowances. Similarly, the often hotly debated issues of removal of national trade barriers or capital controls imply a shift from national ‘closedness’ (which can be viewed, as discussed before, as a special case of privateness) to national openness or globalization (which can be seen as a special case of publicness).

In the same vein, efforts aimed at the universalization of basic human rights, including rights of women and children, often run counter to

conventional norms of who can and cannot participate in public life, including the work sphere, and what can and cannot be done within the private sphere of one's home (like violence against women or child abuse).

By contrast, a key feature of the non-contested global public goods like the universal postal system or the international civil aviation regime is that they are relatively distribution-neutral: Most people would perceive them as offering new, added opportunities. Some may benefit more than others; but few, if any, may feel that these costs are placing a direct net-cost on them.

Interestingly, these goods are also often of a network-type: While their benefits increase with the number of network members, they function for those that are part of the network, even if not all potential members are in the loop – not everybody has to have a phone for telephones to be useful, even though the usefulness of having a phone increases the more there are. Therefore, pressures on individual actors to consume and contribute also tend to be lower in the case of these goods. And much the same holds for technical norms and standards. For example, most people not only consume, but also enjoy, the fact that credit, debit or cash card sizes and machines (notably the slots for inserting the cards) are standardized. Not surprisingly, therefore, an organization like ISO is embroiled in much less controversy than the international financial institutions or WTO.

But again, redrawing the lines between 'public' and 'private' is not the whole story. Important is the second part of prediction II: 'to the detriment of influential groups'. The reason is that influential groups find it easier to make their interests known and insert them into international negotiations. And they also have better ways and means of supporting the 'roll-out' of norms that they prefer, or to stall the implementation of agreements that they perceive as being disadvantageous to their interests.

Consider once again, the case of 'climate change'. When powerful actors like the United States perceive disutility, they may choose to opt out of international cooperation. Or, they may delay implementation, as is the case with respect to agricultural subsidies. No doubt all governments have to undertake complex balancing acts to accommodate the often quite diverse interests of different constituencies. But industrialized countries and other influential actors – being the policymakers in many global public good situations – are likely to try harder and to be better able to assert their preferences than other, less influential actors, the policy-takers, including the least-developed countries and poor or disease-stricken people.¹⁴

Enhancing the provision of contested global public goods: possible policy options

The perception of incurring net costs or receiving an unfair share of the total net benefits generated by an international cooperation effort may hamper the participation of countries in international negotiations and complicate

reaching an agreement (Albin 2003: 263–79; Chasek and Rajamani 2003: 245–62). As a result, global welfare may suffer, potentially making all worse off. To avert the risk of the world getting caught in such a ‘bad’ equilibrium, it would be important to clarify, what could be done to reduce controversy and encourage a more mutually beneficial – and hence acceptable for all – outcome of international negotiations.

The scope for such a mutually beneficial outcome seems to exist in many instances. The data in the Appendix suggest that the global gains to be derived from enhancing the provision of the global public goods discussed in this box could, in all cases, be quite significant. So, a ‘simple’ way forward could be for the ‘winners’ to compensate the ‘losers’ so that cross-border cooperation would make sense for all. In fact, this is what happened in the case of the Montreal Protocol aimed at restoring the ozone layer by phasing out chlorofluorocarbons (CFCs).

Yet, the Montreal Protocol is one of the few examples of successful international cooperation that was stimulated by compensatory financing.¹⁵ Even where such financing occurs, it is often couched in other terms, notably in terms of foreign aid or development assistance as in the case of the Global Environment Facility (GEF). The GEF compensates developing countries for the incremental costs they incur when providing global environmental services like biodiversity preservation or reduction of greenhouse gases – an offer that developing countries do not always find attractive, because it does not reflect the true scarcity value of the service they render.¹⁶

Relying on intergovernmental agreements to make available compensatory financing may not be the best, most reliable entry point into facilitating consensus building on (potentially) controversial issues. Moreover, controversy may arise at both stages of international cooperation, viz. at the negotiation stage, when forging international agreements and at the implementation stage, when translating agreements into policy action, notably at the country level.

Promoting competitive global governance

Turning first to the stage of negotiations, in international venues states usually appear and act as individual, quasi-private actors. Their primary goal in these venues is to pursue national – particularistic – interests of their country or of one or the other domestic constituency. Therefore, international negotiation venues resemble in many respects a market: a bargaining and exchange forum.

In fact, international negotiations often suffer from failures quite similar to those failures that occur in markets, e.g.: limited competition (due to some parties being more powerful than others); information asymmetries (due to differences in national research and policy analysis and design capacity); and of course, free-riding in the presence of global public goods and cross-border spillovers. Like in economic markets limited competition

in 'political markets' leads to inefficient outcomes. These may be ill-fitting policy recipes that a few actors formulate for application by many others, and which, because they are ill-fitting, risk being circumvented or causing more global harm than good.

It could thus be argued that just like their economic (including financial) counterparts, more competitive international political markets (speak, negotiation processes) will produce more mutually acceptable, and hence, more efficient outcomes. Thus, a further prediction that emerges is:

Prediction III:

More competitive – participatory – global governance reduces the risk of controversy, as it facilitates swifter as well as more durable policy consensus.

The most feasible way move towards more competitive, less distortion-inducing global governance may be: *firstly* to promote an adequate voice for all concerned; and *secondly* to enable all to have access to relevant information.¹⁷ These two measures would go a long way in bringing international negotiations closer to being perfectly competitive. Also, they could be introduced through one-time decisions, e.g. a decision on changing voting rights and other decision-making patterns in a particular international organization. Yet they would fundamentally alter the dynamic of the organization: Rather than ignoring or suppressing differences in preferences and interests, they would facilitate bargaining between different parties, realizing that under conditions of openness and globalization private/national interests are often best served by expanding public/global gains.

A voice for all concerned

In many respects, global realities seem to be already moving in this direction. In particular, following the series of extensive public protests in the late 1990s/early 2000s that accompanied some of the major international gatherings and heeded policy signals sent by the more advanced developing countries like Brazil, China, India and South Africa, the recognition is now growing that controversy could be reduced, possibly even avoided, if all concerned had an adequate voice in the process. This may mean placing greater emphasis on consulting stakeholders and/or creating room at the decision-making tables for all relevant actors. The airing of differences in preferences appears gradually to become a more integral, built-in and orderly part of international negotiations.

For example, in the International Monetary Fund (IMF) there is an ongoing discussion on how to rebalance the distribution of voting power amongst member countries – which in large measure still reflects the original formulation in the 1940 – and how to make it more reflective of the changes in

members' relative positions in the global economy since then (Bryant 2004, Buirra 2005, World Bank and IMF 2005).

A similar reform process can also be observed for the G-7/8 group of major industrialized countries. The G-7/8 has now established a 'tradition' of inviting select developing countries to its summits. For example, at the Group's 2005 summit in Gleneagles, Scotland, a number of developing countries were also in attendance, including Algeria, Brazil, China, Ethiopia, Ghana, India, Mexico, Nigeria, Senegal, South Africa and Tanzania.¹⁸ Furthermore, proposals also exist for the creation of new entities to avoid the frequently observed trade-off between being representative, and being an effective decision-making body.¹⁹

However, global policy formulation and norm and standard setting today are no longer (or perhaps more correctly, decreasingly) a matter of inter-governmental decision-making. Non-state actors, including civil society and business, have an increasingly decisive say. As Ruggie (2004: 519) points out, the international policy domain is:

constituted by interactions among non-state actors as well as states. It permits the direct expression and pursuit of a variety of human interests, not merely those mediated (filtered, interpreted, promoted) by states. It 'exists' in transnational non-territorial spatial formations, and is anchored in norms and expectations as well as institutional networks and circuits within, across and beyond states.... The effect... is not to replace states, but to embed systems of governance in broader global frameworks....

This implies that ways also need to be found to foster multi-actor dialogue, especially dialogue between state and non-state actors. Again, under the pressures of reality, international negotiations appear to be reforming themselves along these lines. Virtually all intergovernmental bodies today pride themselves on having established procedures for consulting non-state actors. And venues like the World Economic Forum, the World Social Forum or the Clinton Global Initiative seek to promote multi-actor dialogue and follow-up action.²⁰

In all cases the goal seems to be to bring all different actors and stakeholders *into* the negotiations: make the bargaining process more participatory, and thus, competitive so as to reduce the risk of protracted and costly controversy later.

Reducing information asymmetries

But effective voice depends on more than a fair distribution of voting rights, a seat at the table or money to support advocacy initiatives. It also depends on all parties having access to adequate information to assess their room for policy manoeuvre. Yet many governments and other actors in poor countries

often lack precisely this: analyses to guide their decision-making and to allow them to identify policy priorities, high-return investments and the scope for policy manoeuvre they have in international negotiations. Therefore, reducing the number of contested global public goods – and the degree of controversy surrounding these goods – would also require more systematic assessments of how different public goods affect a particular country, or even, population groups within the country.²¹

The goal of such policy analyses would be to create greater transparency of global net gains that would result from an international cooperation effort for summation type global public goods, and the room that different actors have to compensate potential losers – be it through transfer payments, or also through cross-bargaining.

An improved distribution of voice, coupled with access of all to relevant information, would certainly enhance the competitiveness of international negotiations, and possibly, generate more efficient, better fitting, more effective, and ultimately perhaps also, fairer agreements. It would replace today's – often noisy and messy – disputes and protests against various global public goods – by competitive global governance, providing arrangements for the orderly workout of differences in preferences.

Promoting the availability of private good contributions to global public goods

International norm and rule setting is often indispensable for countries and other actors to have a sense of the direction in which the world is moving. However, the implementation of international agreements has in most instances to follow a country-specific path. As noted, much controversy has erupted in the past, because this point was ignored.

The fourth prediction of this chapter indicates a way to overcome controversy that may result from over-harmonized ('one size fits all') policy approaches:

Prediction IV:

Where private goods are available, allowing individual actors to contribute to global public goods while meeting their own private/national purposes, the implementation of international agreements on global public goods is less controversial than where it relies on intergovernmental cooperation.

Intriguingly, private sector actors have for some time understood much better than their intergovernmental counterparts that cooperation works if the intended bargain promises a fair distribution of net-gains to the parties involved. The result has been that, in a number of issue areas, intergovernmental cooperation schemes were replaced by market-based arrangements.

Just think of the international commodity agreements that existed in the past, e.g. those for cocoa, coffee, sugar or tin. Most are now defunct; and in their stead commodity futures and options markets have emerged.

Or, consider the debt crises from which notably the developing countries have suffered and the arduous negotiations to resolve them, often led by the IMF and other 'donor' country agencies. By now, a number of new market-based instruments have emerged to help prevent crises, or should a crisis occur, to resolve it in a more orderly fashion.

Take for example, the case of growth-indexed sovereign bonds, also known as gross domestic product (GDP)-indexed bonds. The public actors (issuing governments) benefit from this instrument, because the debt service is tied to the economic performance of the economy. In a period of lower growth, the payments to bond holders are lowered proportionally to the decrease in the growth rate. But investors in the bonds – which include many private actors in international capital markets – gain, too. With low growth, a country's debt position can rapidly become unsustainable and the country could default. International investors would be better off receiving lower debt repayments in a predictable and organized way, rather than face uncertain recovery values through a chaotic default process.²²

The insertion of collective action clauses into sovereign bonds generates a similar win-win situation. These clauses are included in bond contracts issued by sovereign governments and bind bondholders to agreeing to a common debt restructuring process, if default occurs. This discourages opportunistic and costly behaviour by one or two investors, who may seek to gain better terms than other investors. It also makes the debt restructuring process more orderly and less onerous for the issuing government and helps reduce the likelihood of global financial crises.²³

Mention could also be made of carbon markets, catastrophe bonds, and weather or terrorism insurance. The interesting feature of all these and other instruments is that governments and investors cooperate to their mutual advantage – without any underlying multilateral agreement of complex international negotiations, generating private/national as well as public/global gains. The cooperative and mutually beneficial outcome is imbedded in the use of the financial tools, which both parties voluntarily agree to use because it is clearly in their best interest.

The lesson to be drawn from this experience perhaps is that an enhanced availability of private goods, which generate such a combination of significant private/national as well as public/global gains, could, where feasible, be a desirable, effective and efficient way towards promoting a fuller provision of global public goods. Such private goods would give individual actors, including individual governments, a better chance to fine-tune their contributions to global public goods to their particular circumstances, easing the necessity to contribute a fixed amount in a pre-determined way that often accompanies intergovernmental cooperation schemes. This flexibility

as well as the possibility to capture at least a significant part of the benefits generated for their own purposes (i.e. to enhance their utility) is likely to strengthen their incentive to cooperate – and help unlock the promise of the considerable welfare gains that an enhanced provision of global public goods could generate.

Thus, private goods that serve global-public-good ends lower compulsion to contribute, consume or both and enhance utility for all. They correct the conditions that according to prediction I set forth in this chapter are likely to give global public goods a contested nature. However, many of these goods are still new and innovative. Considering the promise they hold and the lengthening list of global crises, the time may be ripe for more decisive action to move some of the existing private-good instruments towards more broad-based adoption and initiate research and development (R&D) on further such goods that might allow individual actors to break free from stalled intergovernmental collective action.

Conclusion

This chapter has addressed the issue of why some global public goods are contested and how to reduce the risk of controversy, stalled negotiations, and hence, underprovision of global public goods, resulting in important global welfare losses. The purpose has been to provide tentative answers, in the form of four predictions that would need to be tested in future research and study.

The main message emerging from the discussion is that many global public goods are non-contested, or put differently, generally appreciated by the global public – people at large. According to prediction I, contestation occurs where publicness in utility is low (only a few derive significant net-gains from international cooperation) and publicness in both, consumption and provision is high (all are affected by the good and compelled to contribute to its provision). Global public goods that are marked by such a mismatch between publicness in utility, on the one hand, and publicness in consumption and provision, on the other hand, are, as prediction II suggests, those that seek to redraw the conventional lines between ‘public’ and ‘private’ – to the detriment of often relatively few but influential actors.

Yet, power politics are unlikely to change. So, is it possible to reduce the risk of continuing underprovision of global public goods and the lengthening list of global crises?

Prediction III suggests possible reform steps towards more competitive global governance, or in other words, an orderly working out of differences in preferences. Prediction IV proposes greater reliance on private-good inputs to global public goods as a more efficient way of providing these goods, since they offer individual actors stronger incentives to contribute, coupled with greater flexibility to tailor the way in which they contribute to their particular circumstances.

Appendix

Publicness in consumption does not necessarily imply publicness (even distribution) of utility

The main defining property of public goods, including global public goods, is that they are available for all, that is, there for all to consume, sometimes whether an actor enjoys doing so or not. Public goods are in the public domain; and global public goods span across borders and often also generations.

While global public goods tend to affect all, the distribution of their costs and benefits, and hence, the net-gain they generate for different actors or stakeholders can vary widely. It appears that the goods that are known to have generated considerable international debate and controversy are also often those that are characterized by an uneven distribution of net-benefits.

Contested global public goods: uneven distribution of net-benefits

Consider for example, the following global public goods.

Global Climate Stability. By some estimates, the damages that could result from a doubling of carbon dioxide in the atmosphere would imply global costs of \$270 billion (in 1988 dollars). Industrialized countries would bear \$180 billion, or about 1.3 per cent of their gross national product (GNP) in 1988, and developing countries (non-OECD countries) would bear \$89 billion, or about 1.6 per cent of their combined GNP (Fankhauser 1995: 55, table 3.15). So both groups of countries have a similar interest in avoiding these costs.

However, if one were to assume that only industrialized countries would reduce emission levels to 5 per cent below their 1990 levels, as foreseen in the Kyoto Protocol, and assuming further that emission allowances can be globally traded, the industrialized countries would be net losers by \$39 trillion under this scenario; and developing countries would enjoy net benefits of \$111 trillion (Cline 2004: 31).

It is, of course, important to note that, historically, industrialized countries have tended to be the primary polluters. Yet, the greenhouse gas emissions of some developing countries are rising so fast that emission reductions by industrialized countries alone, may be a fair first step to reduce these countries' environmental 'debt'. But in the longer run such an approach would accomplish little in terms of fostering climate stability.

Thus, it is not surprising that many developing countries are keen to see industrialized countries take a first step towards corrective action; and that industrialized countries are keen to see a commitment to reducing emission levels on the part of developing countries. It is around these sorts of issues that the current international debates on climate stability revolve, and often, also stall.

Global Financial Architecture. The efficient functioning of international markets, including that of international financial markets, depends on a series of institutions, including policy principles and codes and standards as well as various organizational mechanisms, which must be in place, nationally and internationally – in other words, on an effective global financial architecture. Such an architecture is also essential for countries, especially developing countries, to avoid over-indebtedness that may result from external shocks to their economy.

Some analysts (e.g. United Nations 2005) argue that the current global architecture lacks several components that could help developing countries avoid financial crises; and it may even contain elements that lead to – rather than prevent – financial crises in emerging markets.

The period between 1975 and 1998 was an era of rapid financial liberalization and removal of capital controls. And it was also during this era that 158 currency crises, 54 banking crises, and 32 twin (currency and banking) crises occurred – the majority of which occurred in emerging market countries (116 currency, 42 banking, and 26 twin crises). Recent major crises in addition to those include the Russian Federation's 1998 debt crisis, Brazil's 1999 currency crisis, Turkey's 2001 currency crisis, and Argentina's 2001–2002 debt crisis. The costs of a selection of banking crises between the late 1970s and 2000 illustrate the costs involved: lost output totalled \$1 trillion – or about \$50 billion per annum – for the developing and transition countries (Caprio and Klingebiel 2002: 17; Honohan and Klingebiel 2003: 1541).

Even today many dimensions that could help prevent such crises in an efficient way are still missing in the global financial architecture. Yet, while governments find it difficult to agree on various policy options like a resumption of the issuance of Special Drawing Rights, private investors are seeking solutions, because they have realized that increased financial stability is also rewarding for them: it reduces 'investor haircuts' (calculated as the percentage difference between the present values of old and new debt instruments, discounted at the yield prevailing immediately after the exchange). The costs to investors from recent debt restructuring episodes (e.g. Russia, Ukraine, Pakistan, Ecuador, Argentina and Uruguay) range from 13 per cent to as high as 74 per cent of the value of investments (Sturzenegger and Zettelmeyer 2005: 4). A similar motivation propels, as noted, the discussion on sovereign bond indexation.

Multilateral Trade Regime. Taking the multilateral trade regime from the agreement level (that is, the level of declared intentions) to the level of a new, changed policy reality of market integration, requires effecting changes in national trade policy and making improvements in infrastructure for trade facilitation. According to one study (Hertel 2004: 24), making these changes could bring global net benefits of well over \$5 trillion (in net present value terms in 2001 dollars). The benefits are fairly evenly distributed, with \$2.9

trillion in welfare gains for industrialized countries and \$2.5 trillion for developing countries.

However, the costs of corrective action would fall primarily on developing countries, which are expected to pay a one-time cost of about \$23 billion and annual costs of \$20 billion (e.g. for investments in, and the maintenance of, infrastructure), while industrialized countries incur only a one-time cost of about \$6 billion (*ibid.*). Thus, even though developing countries could benefit, they may not be able to pay for the costs of corrective action. The large potential benefits that could accrue to them – and to the world – from enhancing the provision status of the multilateral trade regime are therefore not being realized.

Looking at the distribution of the net-benefits of free trade within countries rather than just across groups of countries, the *de facto* cost of being part of the multilateral trade regime also entails being open to increased competition from abroad, notably for particular sectors within a country. While such competition could be efficiency enhancing, its benefits will materialize only if the countries or sectors concerned are ready, so that they thrive rather than wither with the influx of foreign trade and investment. Certain sectors even in highly industrialized countries will not be spared from facing intense competition, notably from developing countries that have to some degree ascended the competitiveness ladder, like China and India. Outsourcing, for example, is hitting some sectors in the United States hard – software and service companies have been losing about 100,000 jobs per year – even as that country, on the whole, gains immensely from international trade (Bhagwati, Panagariya and Srinivasan 2004: 99). Finally it seems that structural adjustment (e.g. to increased openness to trade) may be no less controversial among domestic constituencies in industrialized countries than it was in developing countries was in the 1980s and early 1990s (see, Cornia, Jolly and Stewart 1987).

Polio Eradication. Polio eradication is an underprovided global public good. It is about 99.7 per cent provided (expressed as the reduction in the number of cases since the eradication programme started), with 1,263 new cases of polio virus in the 'wild' in 2004 (there were 350,000 in 1988, when the eradication effort was officially launched through a World Health Assembly resolution; www.polioeradication.org/progress.asp).

One study estimates the global cost of corrective action at \$67 billion in present value terms (Khan and Ehreth 2003: 704, table 3). Of this, \$24 billion accrues to developing countries and \$43 billion to industrialized countries. If one considers only the benefits from savings in medical costs (derived through historical analysis of costs back to 1970 and projected into 2040) – costs that would be avoided through immunization and eradication assessed against the baseline scenario of no immunization – and the cessation of vaccination after 2010, this suggests global present benefits of \$128 billion (in 2000 dollars discounted at 5 per cent) (Khan and Ehreth 2003: 704, table 3).

Most of the benefits (\$115 billion) flow to the largely industrialized and middle-income countries of Europe and the Americas (World Health Organization regions), with the remaining benefits (\$13 billion) flowing mostly to developing countries (Khan and Ehreth 2003: 704, table 3).

Thus, based on the preceding information, enhanced provision of polio eradication could bring global net benefits of more than \$60 billion (in net present value terms in 2000 dollars). However, the benefits would likely be unevenly distributed: industrialized countries experience a net benefit of \$72 billion, and developing countries experience a net cost of about \$11 billion. This does not include the additional benefits from mitigating the risk of polio as a weapon of bioterrorism – and these benefits will likely stack in favour of the major industrialized countries facing the highest terrorist threat. This uneven distribution does not mean that polio eradication would not be in the self-interest of developing countries, but only that within the assumptions of the study used to derive the estimates, it would be costly to developing countries, while industrialized countries would achieve net savings. Polio eradication would still be a good global investment.

**Consensual global public goods: even distribution of net-benefits
(or, at least, no net-cost to any party)**

Contrast the foregoing accounts then with that of smallpox eradication, which is mentioned here as an example of a consensual global public good with a rather even distribution of net-benefits across countries.

Smallpox Eradication. The World Health Assembly declared smallpox eradicated in 1980 (Barrett 2004: 3). This means that this global public good is currently fully provided. The global net present value benefits of this achievement stand around \$47 billion (in 1967 dollars discounted at 3 per cent), with some \$35 billion flowing to developing countries and about \$12 billion to industrialized countries. Developing countries gain more because the disease had already been eliminated in industrialized countries when the international eradication effort began in 1966 (Fenner et al. 1988). Industrialized country gains are limited to the savings from not having to vaccinate once the disease is eradicated. Yet, clearly, both industrialized and developing countries achieved substantial net gains – a win-win result – from the full provision of this global public good.

Notes

* The views expressed are those of the author and do not necessarily reflect the views of the organization with which she is affiliated. The author thanks Pedro Conceição, Ronald Mendoza and Nena Terrell for useful comments.

1. For reasons of brevity, the term ‘good’ will be employed here to refer to both goods and services. Also, the term ‘good’ denotes things like tangible objects (e.g. bread, cloth or a road) as well as conditions (e.g. peace and security, law and order, climate

- stability or disease control). Thus, the term 'good' is used here without indication of the utility a thing/condition may have for a particular (group of) actors.
2. The more conventional definition is that, in their pure form, public goods are nonexcludable and nonrival in consumption – their consumption by one actor does not diminish their availability for others, which, more simply stated, means they are available for all. If a good exhibits both characteristics, viz. nonexcludability and nonrivalry in consumption, it is said to be a pure public good. If it is marked only by one of these properties, it is categorized as an impure public good. See for the standard treatment of the concept of public goods, for example, Cornes and Sandler (1996).
 3. It is important to note that the word 'global' here means cross-cutting or stretching across various types of natural or human-made boundaries. 'Global' should not be confused with 'international', i.e. a space that exists between nations, or extraterritorial.
 4. For further discussion of public goods and global public goods interested readers may also wish to consult Barrett (2006); Cornes and Sandler (1996); Ferroni and Mody (2002); Kanbur, Sandler, and Morrison (1999); Kaul, Grunberg, and Stern (1999); Kaul et. al. (2003); and Sandler (1997, 1998, 2004, 2006).
 5. Economic globalization is largely an intended, deliberate process, which comes about based on public policy decisions to remove national borders and harmonize the design and provision level of national public goods so as to facilitate the integration across borders of markets and infrastructure. However, as these intended globalization efforts progress and cross-border economic activity increases, unintended globalization also increases, resulting from the externalities that may accompany this activity – including spillovers/spillins like pollution, communicable diseases, international terrorism or technology, knowledge and information transfer. However, spillovers may occur whether borders are open or not. For example, greenhouse gas emissions have always risen, whether the world found itself in an era of more open or more closed borders, more extensive or more limited travel across countries and regions.
 6. Figure 3.1 clearly illustrates how public goods are multi-actor products to which all groups might potentially contribute. For example, civil society and lobbyists might nudge the government into taking action (arrows 1 and 2) while also seeking to influence the general public through their advocacy activities (arrow 1). As a result, public demand for a certain public good, say smoke-free public spaces, might increase (arrow 4). In response, the government might provide an intermediate public good such as an information campaign on the ill effects of smoking in public places (arrow 3), hoping to alter the behaviour of individual actors (arrow 6). Coercive measures might also be needed, such as a ban on smoking in public places (arrow 3). Together, the positive externalities resulting from the changed behaviour of individuals (voluntary and coerced) would then produce the desired public good, smoke-free public spaces (arrow 8). The government might also be influenced by external preferences (arrow 7), for example, by foreign visitors who demand smoke-free airports and hotel rooms or by international conventions such as the World Health Organization Framework Convention on Tobacco Control (www.who.int/tobacco/framework/en).
 7. The concept of aggregation technology was introduced by Hirshleifer (1983) and by Cornes and Sandler (1984) and elaborated on by Cornes (1993).
 8. Unilateral provision is a technical possibility especially where the good abides by a best-shot aggregation technology. A case in point is an innovation like a new

pharmaceutical product. For example, a particular vaccine must only be invented once to exist; and it can be invented by one researcher or one laboratory. However, some pharmaceutical companies could, of course, succeed on their own to develop, say, a malaria vaccine. Yet, since such a vaccine would primarily benefit poor people in poor countries, they may not see a realistic possibility of ever recouping related research and development (R&D) costs, and hence, lack the incentive to undertake related investments.

9. Trade distorting measures include domestic support, export subsidies, and tariffs. While domestic support measures distort the producer side, market price support distorts the consumer side of the market.
10. Industrial countries having the primary responsibility for taking corrective action on the risk of climate change does not imply that they should not trade emission allowances or reduction credits with developing countries. They can do so and still meet what some see as their international obligation, if the trade is in the mutual interest of both trading partners.
11. See, on this point, the empirical evidence provided among others, in the *Human Development Reports* (UNDP various years). To mention a few statistics here, the world's wealthiest 500 individuals have a combined income greater than that of the poorest 416 million people. The 2.5 billion people living on less than \$2 a day (some 40 per cent of the world's population) account for only 5 per cent of the world's income. The richest 10 per cent, on the other hand, almost all of whom live in high-income countries, account for 54 per cent (UNDP 2005, 4).
12. Many of the points made here about the contested nature of global public goods might also apply to regional and national public goods. However, in the case of national public goods, it is often easier to design policy packages, including compensatory financing for potential losers, than it is in the case of regional and global public goods. The latter tend to be negotiated on a good-by-good or international agency-by-agency basis, which renders the structuring of policy packages difficult.
13. See for a more detailed discussion on the global public good dimensions of TRIPS and other aspects of the multilateral trade regime, also Mendoza (2003).
14. A rich and growing literature exists on these and related points. Yet again, the information it presents is mostly of a qualitative nature. Quantitative analyses are rare. See, among others, Addison and Roe (2004); Keohane and Milner (1996); Mkandawire and Soludo (1999); Rajan and Zingales (2003); and Weiss (2003).
15. For more detail on this point, see www.unep.org/ozone/Montreal-Protocol/Montreal-Protocol2000.shtml.
16. The purpose of the GEF is to support projects with global environmental spillover effects in developing countries and to compensate countries for any efforts that they undertake over and above what they would have done had they been motivated by national interests only. See www.gefweb.org/What_is_the_GEF/what_is_the_gef.html.
17. Other elements that introduce governance imperfections like, for example, large differences in economic and military power that sometimes introduce 'monopoly competition' into negotiations, are evidently more difficult to change so that the measures suggested here appear to be the more feasible.
18. See www.g8.gov.uk for the Gleneagles Summit and also www.whitehouse.gov/g8/2004/ for the Sea Island Summit, g8.fr/evian/english/ for the Evian Summit, and www.g8.gc.ca/sumdocs2002-en.asp for the Kanaskis Summit.
19. These proposals include, among others, suggesting the creation of an L-20, a group of 20 political leaders to advise the world on global issues (see, Kaul and Conceição

- 2006a and Bradford and Linn 2004) and the establishment, for a similar purpose, of a G-29, composed of member states of the United Nations, some of whom would have a permanent seat on the Security Council and others a rotating one (see Kaul et al. 2003).
20. See, for further information www.forumsocialmundial.org.br/: and www.clintonglobalinitiative.org
 21. A possible methodology for such assessments has been outlined by Conceição and Mendoza (2006). The authors differentiate between the distribution of net-benefits between the groups of industrialized countries and developing countries. However, the suggested methodology could also be applied to undertaking country-level assessments.
 22. For further a discussion of GDP-indexed bonds, see for example, Borensztein and Mauro (2004), and UN and UNDP (2005, 2006).
 23. For further a discussion of collective action clauses, see for example, Eichengreen (2006).

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