

# Discussion on How Government Can Provide Public Goods Better

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**Abstract:** Public goods are non-exclusive and non-competitive commodities. Because of this characteristic, the government has become the main body of providing public goods in most cases. However, at present, the government has problems such as low efficiency and waste of resources in the process of providing public goods. Based on the perspective of public choice theory, this article analyzes why government failures occur in the process of providing public goods, and proposes path reconstruction suggestions.

**Key words:** Public choice theory; Public goods

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## 1 Introduction

Government failure in the supply of public goods refers to the inability of individuals' demand for public goods to be well satisfied. The government and its departments have low efficiency in the supply of public goods, unbalanced supply and demand, and budgetary deviations due to their own characteristics, making the government's behavior not as effective as theoretically possible. In the process of remedying and correcting market failures, government deficiencies may continue to be exposed, resulting in government failures under market failures. At this time, the problem of government failure has become an important topic in the study of public choice theory. Since this theoretical perspective has unique insights into the analysis of the phenomenon of "failure" in the process of providing public goods by the government, it often provides a theoretical basis for studying government behavior. In this short essay, firstly, reason why the government's behaviour is inefficient sometimes from the perspective of public choice theory was pointed out and some suggestions were made.

## 2 Literature review

In economics, public goods are non-exclusive and non-competitive commodities. "For such items, users cannot

be prohibited from using them just because the user has not paid. In addition, one person's use will neither prevent others from using them, nor reduce their availability to others<sup>[1]</sup>. The representative of traditional public choice theory is the capture theory, rent-seeking theory and autonomous governance theory.

Stigler, a well-known American economist, the author of the regulatory capture theory, pointed out that "government regulation is an institutional arrangement that responds to the needs of interest groups to maximize"<sup>[2]</sup>. Peltzman took this as a theoretical basis and proposed a static theoretical model to analyze the problem of regulatory capture, and believed that interest groups provided their political supports to regulators in exchange for gaining favorable regulatory legislation<sup>[3]</sup>. Becker analyzed the issue of regulatory capture. He believed that the game between groups affects the formulation of rules. This theory has greatly deepened the understanding of the reasons for the failure of government regulations, and in practice promoted the deregulation reforms initiated by the major judicial countries in the 1970s<sup>[4]</sup>.

The purpose of rent-seeking activities is to obtain economic benefits by manipulating the allocation of economic resources. Economists believe that these activities are harmful to the economy and society. This approach may

reduce economic efficiency through inefficient resource allocation. In addition, it often lead to other devastating consequences, including increased income inequality, reduced government revenue, and reduced competition.

Since then, the theory of autonomous governance of public pond resources appeared. As a public good, "public pond resources" are different from private goods. It's difficult for the resources to be exclusive in the sense of consumption and shared by the public. But it is a limited public resource, which will decrease as heavily used by people, so it is either-or-competitive in the sense of consumption<sup>[5]</sup>. In the process of reshaping the relationship between the government and society, after Eleanor Ostrom examined a large number of cases of governance of "public pond resources", he found that the institutional arrangements in many cases were the combination of Leviathan system and privatization systems. In addition, people in many communities can achieve effective governance of certain resource systems in a relatively long period of time with the help of institutional arrangements that are different from the state and the market<sup>[6]</sup>. Therefore, "Leviathan" style government and privatized markets are not the only solution to the dilemma of collective action. He proposed a compromise, theory of autonomous governance.

Although the cores of these three theories are different, they all assume that the government is a self-interest maximizer rather than a public benefit maximizer. Due to the existence of this assumption, the government may first consider maximizing the interests of the captors or regulators in the process of providing public goods, and less consider the interests of the people. Therefore, the theories of the public choice school are also called "regulatory privateness theories<sup>[7]</sup>."

### **3 Reasons for the inefficiency of government**

The economic man behavior public choice theory of the main body of public goods believes that government departments have self-interested motives and self-interested preferences, as well as rational "broker" thinking, aiming to obtain the greatest benefits with the least cost in political activities. Although public goods are of public nature and public benefits, the economic man behavior of the supply subject drives some governments to operate behind the scenes. Starting from their own interests and logic, they focus their resources on inputs with quick results and short cycles, and implement some so-called "achievement projects" and the "face project", ignoring the slow and

long-term supply of general public goods<sup>[8]</sup>. In a nutshell, the reasons for the low government efficiency can be summarized as the existence of internality and monopoly.

#### **3.1 Internality**

Government actions have internal effects and lack the concept of cost and profit. Under non-market conditions, internally expand the institutional supply curve, that is, increase institutional costs, making them higher than technical costs, leading to excess total costs, higher unit costs and non-market output levels lower than socially effective levels<sup>[9]</sup>. To put it simply, due to the internal nature of the government, policy makers will not check the cost and the final benefits too much, as long as they can complete the tasks in the system, this will lead to a reduction in government efficiency and the government cannot protect the public interest well.

At the same time, due to the existence of internality, corruption and corruption occur from time to time, which exacerbates injustice and inefficiency. As Buchanan said: "In public decision-making or collective decision-making, there is actually no process of making choices based on public interests, but only the process of contracting between various special interests"<sup>[10]</sup>. When officials do not emphasize public interests but seek private interests, it is inevitable that the government will fail.

#### **3.2 Monopoly**

As public goods are non-exclusive, non-competitive, etc., the government (rather than the private sector) dominates the provision of such products. In this case, the government's motivation sometimes is not solving the problem, but keeping the problem existing, so that it can apply for more fund to solve the problem. At the same time, the government may seek benefits for certain companies in some monopolistic public goods industries under the guise of serving the public interest. Special interest groups evade market competition in order to seek government protection. In order to achieve high monopoly profits, they often conduct various "rent-seeking activities", which further aggravates the government's inefficiency.

### **4 Suggestions of improving the efficiency of public goods supply**

Although the public choice theory originated in Western countries with relatively same peace of market economic development market, it is an important reference for Chinese government to reform and improve the existing system and government efficiency.

#### **4.1 Improving the awareness of costs and interests within the government**

First of all, governments and departments must be aware of the limitations of national resources, and the traditional view of ignoring the cost of government assets must be eliminated. Government agencies must have an awareness of corporate efficiency. The first specific measure is that the administrative cost indicators can be included in the assessment of government agencies and government personnel at all levels. Only if everyone's personal interests and government efficiency are linked, can government members realize the importance of the government's costs and benefits, thereby increasing their enthusiasm and efficiency. In addition, the incentive mechanism at the institutional level can be improved. When the internal members of the government focus on saving costs and improving efficiency, the government will accumulate more benefits and better provide public goods. And part of the benefits can be used as incentives for government employees to continue to improve efficiency, thereby forming a virtuous circle of efficiency-profit-incentive-efficiency.

#### **4.2 Strengthening institutional constraints and supervision**

Buchanan believes that "to change the outcome of a game or competition", it is not important to change the people participating in the competition. The important thing is to change the rules of the competition<sup>[10]</sup>. Absolute power leads to absolute corruption. One of the important reasons for the inefficiency of the government is the lack of supervision. At present, China is working hard on the improvement of internal supervision mechanism of the government. The first is to improve and reform our country's existing fiscal system, and to clarify the allocation and use of national finances with regulations, norms and other institutional methods, so that government personnel have a clearer understanding of government costs and resources. Second, we must focus on the accountability mechanism. For government personnel who fail to exercise fiscal power in accordance with laws and regulations, damage state property, or sacrifice public interests for personal gain, they shall be investigated for administrative and criminal responsibility in accordance with the law.

#### **4.3 Introducing a competition mechanism to improve the efficiency of government**

Public choice theory believes that the "invisible hand" can play a great role in economic activities, so it advocates

market-oriented reform of government institutions. The introduction of a competition mechanism in government agencies is conducive to breaking the government's monopoly on public goods, while eliminating its internality to a certain extent, helping to improve the efficiency of the government and the level of public goods provided. On the other hand, it can break the inertia of thinking, government departments can guide social capital and private capital into the field of public services, and actively promote government and social capital, private capital and cooperation models. The government controls the direction in core areas and gives private enterprises more space and autonomy. The existence of this kind of competition is conducive to the improvement of government control efficiency.

### **5 Conclusion**

The government is one of the most important suppliers. However, the government's inefficient supply is closely related to its monopoly position and lack of effective supervisions and restraints. On this basis, the public choice theory focuses on the solution of government efficiency, constructing a diversified public goods supply system, so that the supply of government public goods will shift from a single government supply to the coordinated participation of multiple entities such as government and society, so as to realize the diversification of supply entities. This mode of multiple collaborative participation in the supply of public goods has changed the situation of a single government supply of public goods, adjusted the role of society, improved the acquisition of consumer demand expression paths, and satisfied consumers' differentiated and individual needs. This program has important guiding significance for the improvement of the administrative capacity of government officials.

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