

årgang 7

SOSIOLOGISK ÅRBOK

1991



Institutt for Sosiologi
Universitetet i Oslo

Norsk Sosiologforening

Sosiologisk Årbok – 1991

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Oslo 1991

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Forord

Sosiologisk Årbok har vært utgitt siden 1985 av Instituttet for sosiologi ved Universitetet i Oslo (ISO). Fra og med 1991 (sjuende årgang) er utgivelsen av årboken basert på et samarbeid mellom ISO og Norsk Sosiologforening (NSF). Samarbeidsavtalen innebærer både en erkjennelse av at ISOs initiativ og arbeid for å utvikle Sosiologisk årbok har vært verdifullt, og en oppfatning av at tiden er inne til å gjøre årboken til et felles prosjekt for sosiologer over hele landet, som et publiseringsforum for norsk sosiologi som helhet.

Dette kommer til uttrykk blant annet gjennom sammensetningen av redaksjonen. Mens den ene redaktøren fortsatt oppnevnes av ISO, er den andre redaktøren utpekt av NSF. I tillegg til de to redaktørene er det opprettet et redaksjonsråd med medlemmer fra ulike miljøer og forskjellige deler av landet. Medlemmene av redaksjonsrådet skal virke som (eller foreslå) konsulenter for vurdering av manuskripter, drøfte den redaksjonelle linjen for årboken, samt fungere som kontakter til sine profesjonelle lokalmiljøer bl.a. ved å bestille eller formidle artikler.

Selv om utgivelsen av Sosiologisk årbok har fått en bredere organisatorisk og geografisk basis, preges det redaksjonelle arbeidet likevel av kontinuitet. Den ene av de to tidligere redaktørene fortsetter som redaktør (oppnevnt av ISO), mens den andre er medlem av det nye redaksjonsrådet. For øvrig er en del av artiklene i dette bindet av årboken blitt vurdert og akseptert av den tidligere redaksjonen.

Vår nye satsprodusent er Roger Bergersen, ISO.

Sigmund Grønmo

Per Otnes

On the nature of welfare goods

by Erling Berge¹,

Department of Land Use Planning, NLH

For some time studies on "*the crisis of the welfare state*" have been a growth industry². The strategies involved in the various attempts at restructuring the welfare state has also been extensively studied (Ringen 1987). The explanations for the crisis(es) are numerous. Such factors as changes in culture, changes in the values and priorities of individuals and the bad management and inefficient resource utilization of public agencies, have been used.

The present paper will not go into this debate. Instead it will suggest that one source for the problems of the welfare state is to be found in the consumption process. It will be argued that the provision and consumption of welfare goods will give rise to processes which feed back problems to the process of providing the goods. Before these processes are understood and incorporated into the theory of welfare goods provision, it will be difficult to find sensible remedies for the problems currently ailing the welfare state.

To show how the provision of welfare goods may give rise to problems for the welfare state, it will be necessary to investigate the nature of the various welfare goods provided by the welfare state. To do this a general typology of goods will be used to classify welfare goods as either public, private, club or positional goods. The problems arising are determined by the character of different unintended consequences (external effects) arising from the

¹ The present paper is a slight modification of a paper contained in Berge (1990). The ideas have previously been presented in a workshop at the XXIXth International Congress of the International Institute of Sociology, Rome, June 1989; a seminar at the Institute of Social Research and the Institute of Applied Social Research, Oslo, January 1990 and a session at the Annual Conference of the British Sociological Association, Guildford, April 1990. I appreciate the constructive advice received on these occasions.

² An early contributor was O'Connor (1973). See also OECD (1981), Mishra (1984).

consumption of the different kinds of welfare goods. In the discussion it is important to bear in mind that the type of any welfare good is politically determined rather than technically.

Welfare goods

What is meant by "*welfare good*" is seldom spelled out precisely. It should, however, not be confused with collective³ or public goods⁴.

Welfare goods are provided by a public agency to consumers (the public) free or at a cost below production cost⁵. The below cost requirement implies that the consumption of the welfare good will not have the same distribution as the distribution of income (which determines the distribution of consumption of goods supplied at full cost). The aim of providing a welfare good is usually to achieve a redistribution of goods to increase the total welfare of the society.

There are several traditions where the study of the distribution of welfare goods is important⁷. Comprehensive studies focusing particularly on welfare goods are more uncommon. The most relevant studies are either focused on a single welfare good⁸ or directed at the evaluation of the overall objective of more equality in the distribution of welfare (e.g. Korpi 1978, Ringen 1987).

³ Mishan (1981) prefers collective goods as the designation of what usually are called public goods.

⁴ Since Samuelsons (1954) definition of a public good as a good where person A's consumption of the good does not interfere with person B's consumption, the public good concept has evolved, but the label, despite Mishan's (1981) effort, has stuck.

⁵ Huttman (1989, pp.1) defines "*Welfare commodities*" as "*encompassing goods and services extended to consumers free of charge or at varying user fees and charges scaled below costs...*". This definition presumes that the welfare good is a particular product somehow desired by the consumer and will thus exclude goods like pensions or aid in the form of cash. One may, however, think in terms of a generalized welfare good like "*minimum standard of living*" and look at the aid in cash as a public subsidy toward this good.

⁶ Measured for instance against what the distribution would have been with full cost provision.

⁷ During the early 70thies quite some effort went into the establishment of social indicators and a system of social accounting. This established a tradition of publishing social surveys. Since 1974 The Central Bureau of Statistics of Norway has published 5 Social surveys. The last one in 1989. Another tradition is focused on the level of living surveys conducted regularly in several countries.

⁸ See e.g. Townsend and Davidson (eds.) 1982 and Whithead 1988 on health care services, Lundqvist 1986 on housing, Bloch 1974 on police services. Le Grand 1982 provides an assessment of studies of the distribution of public expenditure on health care, education, housing and transport. He notes "*Unfortunately, there is no statistical evidence concerning the distributional impact of the personal services*".

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Even by economists the question of who gets which benefits with respect to welfare goods has not been addressed in the same way as the consumption of ordinary goods⁹.

For the present study we shall look at welfare goods as anything provided to the consumers (the citizens of a state) at a price below production price with the intention of achieving a more equitable distribution of welfare among the citizens of the state.

A typology of goods

The distinction between public and private goods (Cornes and Sandler 1986) defines categories of goods according to whether the consumers are excludable (person x can be excluded from the benefits) or nonexcludable (person x cannot be excluded from the benefits) and whether there is rivalry or non-rivalry in the consumption of the good (benefits are divisible or indivisible¹⁰).

Table 1.1 Types of goods available for the welfare state.

		Consumers are		
		- excludable	- non-excludable	
Benefits are		private	positional	- divisible
		club	public	- indivisible

⁹ At least this is the impression conveyed by Deaton and Muellbauer 1980 in their survey of consumer behavior.

¹⁰ Baumol and Oates (1988) call this distinction depletable or undepletable. But they are not quite consistent in their terminology. "An undepletable externality is thus one for which consumption by one individual does not reduce the consumption of anyone else." (note 15, p.19). The preference here for divisibility vs. indivisibility has its background in property rights theory and the possibility of assigning property rights to a good.

1. Private goods.

Private goods are excludable and have rivalry in consumption. They are in principle perfectly divisible. The part one person gets of a private good will not be available to anybody else. The best example may be the ordinary consumer goods which one can buy in a market.

2. Public goods.

Public goods are non-excludable and have non-rivalry in consumption. The good is indivisible. It is provided as one total package or not at all. The consumption of the good by one person does not affect the availability of the good for another. A typical example of a public good may be the protection given by NATO's fleet of Trident submarines with nuclear weapons¹¹. The nature of the pure public good is such that if the good is produced at all, it will be available to all whether they pay for it or not. If NATO is able to protect one country, all countries will be protected. This is so because neither theoretically nor practically is there any way of excluding any person or province from the protection. The realization that this was the case for an important class of goods, and the concomitant free rider problem in collective action (Olson 1965), led to important theoretical developments for public policy (Cornes and Sandler 1986).

This definition of public goods means that there are just three ways a public good can appear.

A public good (or bad) may

- 1) appear by itself as natural phenomena (e.g. a beautiful sunset or a violent storm), or it may
- 2) appear as a byproduct (unintended consequence or externality) from other social processes (e.g. solidarity or anomie), or it may
- 3) appear because everyone (or at least enough people) contributes voluntarily or by force (taxation) to its production¹².

This definition of pure public goods also implies that they are not welfare goods as defined above. They are delivered to the citizen at their full price, collected by the general tax. Only if the non-excludability of the pure public

¹¹ Some would perhaps rather call the nuclear weapons a public bad, but the logic of the argument is symmetrical to good or bad.

¹² Sociologists have concentrated more on the problem of how public goods come to be provided than how they are consumed. For developments in the theory of collective action see e.g. Hardin 1982 or Marwell, Oliver and Prael 1988.

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good allows for inequality in consumption and only if such an inequality is not a result of free choice by the consumer, can the good be called "*a welfare good*" (perhaps straining the term a bit) since then the consumer not being able to consume according to his or her preferences will have, through taxes, contributed a subsidy of the good consumed by all those being able to consume according to will. It will seem fair to assume that pure public goods will not be welfare goods.

3. Club goods.

Those goods which are neither pure public goods nor pure private goods, are called impure public goods¹³. Goods which are excludable and at least partly non-rival in consumption have been called club goods (Cornes and Sandler 1986). Partly non-rival means that the initial situation is one of non-rivalry. It can be called a club good because of the nature of the exclusion mechanism. The exclusion mechanism is like a boundary. You can partake the club good once you are within the boundary. Once you are inside the boundary the good has the character of a pure public good. Examples might be the wilderness quality of an area or the electromagnetic spectrum available for broadcasting. (For the electromagnetic spectrum, however, technological developments seem to have overcome the problem of limited divisibility by increasing the sensitivity of both senders and receivers.)

As long as the number of members in the club is below "*the carrying capacity*"¹⁴ of the club, the club good is available to all. But as the number of members increase, crowding will lead either to deteriorating quality of the good or competition for access to the good. The wilderness area can illustrate a club with a low "carrying capacity". Once too many persons starts to use it, the wilderness quality will suffer and its attraction (its wilderness quality) will decline. A decreasing number of members may lead to the analogue problem of thinning: there will be too few to share the cost of keeping up the quality of the services and eventually competition to exit before the market in memberships collapses completely . An example of such a process may be seen in neighborhoods with declining status because high status people have started to move out (the thinning). There even some minor event may trigger a rush to sell the house before prices go down too far.

¹³ An interesting type of public good, found both among pure and impure, is the merit good. The basic characteristic of a merit good is that it reflects the preferences of an elite or ruling group and is imposed on (or prohibited from) individual consumers (Judge 1979, p.375).

¹⁴ The expression is deliberate and alludes to the ecological concept and its relation to crowding and the "tragedy of the common" (see also Berge 1990, pp. 61-81).

It is worth emphasizing the necessity for members to enter and use the club. Unlike pure public goods, club goods has a voluntary element in so far as it requires an intentional act of the consumer to appropriate the good.

4. Positional goods.

Goods with rivalry in benefits, and where the consumer is at least partly non-excludable, are not, like club goods, explicitly labelled by Cornes and Sandler (1986). One might perhaps call them "*impure private goods*". Taylor (1987), discussing the definition of public goods, observes:

"divisibility does not entail excludability, although important examples of non-excludable, divisible goods are not easy to come by: economists have suggested such examples as a garden of flowers, whose nectar can be appropriated by individual bees but particular bees cannot be excluded from consumption." (p. 6).

The pure case of a non-excludable and divisible good may not be found to exist in itself, but then few important goods do. Actual social contexts may impose the characteristic of non-excludability on any kind of divisible good.

My choice of label, positional goods, is inspired by Hirsch (1976). Hirsch has no precise definition of a positional good. He says:

"The positional economy, ... , relates to all aspects of goods, services, work, positions, and other social relationships that are either (1) scarce in some absolute or socially imposed sense or (2) subject to congestion or crowding through more extensive use." (p. 27). He finds for example that *"traffic congestion can be seen as only a special case of the wider phenomenon of social congestion, which in turn is a major facet of social scarcity."* (pp.3).

His conception of a positional good obviously contains both club and positional goods as defined above. The position taken here is that there is a major and consequential distinction between the scarcities of club goods and the scarcities of positional goods. Since the one type of good where the (dis)utility of spatial crowding is the main rationing method, has been called club goods, it seems convenient to put the label "*positional good* " on the other where the (dis)utility of waiting time in a queue is the main rationing method. These distinctions will be elaborated below.

Partial non-excludability means that the situation usually is considered to be one of excludability, but may under certain circumstances approach one of non-excludability. Non-excludability may, however, be more pervasive also

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for what standard economic theory would call private goods than one commonly is led to believe.

At the outset then, the positional good, in a technical sense, is a pure private good. But during its consumption something happens to make it something else. Granovetter and Soong (1986) investigate consumer interactions in the consumption of private goods and identify a "*forward bandwagon effect*" if someone buys a product because others already have it, and a "*revers bandwagon effect*" if someone stops buying because too many people have bought it. These are precisely the processes Hirsch (1976) associated with the positional economy. In their extreme form we find the processes represented in the potlatch ceremonies of some primitive peoples as well as the phenomena in modern society Veblen (1899) describes as "*conspicuous waste*" and "*conspicuous consumption*".

The consequences of consumer interactions are such that even those who do not intend to consume, or even have not considered consumption of the products, share some of the benefits (or losses). The consumer interactions creates the positional economy and make the good non-excludable: no one can escape being classified as either having the good or as not having the good.

What happens seems to be some kind of symbolic transformation of the good. The pure private good is transformed to a symbol and imbued with a meaning shared by all relevant actors.

Bourdieu (1979) explores precisely this process of consumption in his study of how the cultural production of art meets, through the "*acquisition*" of objects of art, the cultural production of taste to produce a system of power relations where the distinctions of taste are used to elaborate and preserve class differences:

"Taste classifies, and it classifies the classifier. Social subjects, classified by their classifications, distinguish themselves by the distinctions they make" (p.6).

The precise qualities of an object of art become manifest only through its consumption. The context of consumption is reflected both in the positioning of the consumer and in the positioning of the non-consumers.

A more simple example of the same process is the choice of locality for housing in a city. The relative attractiveness of various locations is translated into prices which then clears the queues for the various locations. Those willing and able to pay the most get the most attractive locations. Those with the least ability to pay get the least attractive locations. A housing lot has a posi-

tion in the overall positional economy. No one can opt out of this. Similarly the latest fashion in for example clothing (or cars or ideas or ...) divides the total population into those adopting early and those adopting late - or never.

If carrying capacity is the key concept of clubs, queues or waiting times are the key to positional goods (and bads). A visible queue is also a signal to other potential consumers that here is something of value. Some people will join a queue just because of that. Others will start leaving the queue if they see it is getting too long. In the market, however, queues are not visible, they are translated into prices. An unexpected high price is also a signal that some think this is an item of unexpected good value. Some people will buy because of the high price. Others will decide not to buy because of the high price. The forward bandwagon effect would correspond to a positive utility from paying a high price (or being first in the queue), while the reverse bandwagon effect would correspond to a negative utility from paying a low price (or coming late in the queue). To some people it is more important to be "*avantgarde*" than to be economically efficient. To other people it is more important to avoid appearing cheap.

The nature of a welfare good is politically determined.

One conclusion from the discussion above is that pure public goods can not be welfare goods as we conceive of welfare goods. The discussion of private vs. public goods in economics has focused on the nature of the public good. In most cases the nature of the public good seems to have been taken for granted: either it was technologically determined (it would be too expensive to exclude consumers) or inherent in the product itself (a beautiful sunset cannot be divided and people cannot be excluded in any systematic way). But economics has not systematically distinguished between pure public goods, club goods and positional goods. Thus they have tended to see welfare goods as some kind of impure public good.

The approach here is different. Welfare goods may - at the outset - be of any type except the pure public good. Usually there is nothing inherent in the welfare product itself which determines whether it is a private, a club or a positional good. In most cases the question of what type a welfare good shall belong to, is socially and politically defined. It will rarely be a question of technology or inherent qualities. It may even be transformed into a pure public good and thus leave the group of welfare goods. If primary school by law

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is provided to everyone, and everyone can be forced to attend, and the schools can accommodate all pupils free of charge, then the school system is just as purely public as the military protection given by a nuclear strike force. Places for everyone secures non-rivalry in consumption and the law making schooling compulsory secures non-excludability. Or so it is supposed to be. The aim of the welfare state was to provide a series of basic services in the form of pure public goods.

However, the increasing problems, within all welfare states, of providing both enough of the promised goods and of achieving an equitable distribution¹⁵ of that which is provided, suggests that there may be some unrecognized problems inherent in the whole undertaking.

Since a welfare good may be of any type as discussed above, it would seem reasonable to suppose that the problems might originate in unrecognized differences in the consumption processes and their feedbacks to the various types of products.

To get a handle on this we need to elaborate on possible consequences of the consumption process.

Unintended consequences and externalities

At least since Marx's suggestions that social systems before the communist system would contain the seeds of their own destruction¹⁶, by way of Merton's (1936) article on "*The unanticipated consequences of purposive social action.*" and until Giddens (1984) observations of how unintended consequences can contribute to the "*social reproduction across long periods of time*" (pp.9-14), the importance of unintended consequences and their role in societal development has been emphasized¹⁷.

However, attempts to systematically investigate the various types of unintended consequences are conspicuously absent. Sieber (1981) points out that

¹⁵ Nichols, Smolensky, and Tideman (1971) finds that providing several queues differing only in the combinations of waiting time / user fees required by the consumers, may lead to substantial efficiency gains. But they also observe: "*Our proposal may produce serious equity problems that cannot be overcome.*" "*If equity means the same treatment for all persons, it may not be possible to improve social welfare by increasing the number of money-time pairings. If, however, unequal treatment of unequals is equitable, which seems much more reasonable, then there are unexploited possibilities for improving social welfare.*" (p. 322).

¹⁶ See e.g. Marx (1867) "*Capital*" Vol. I, ch. 32 : "*..capitalist production begets, with the inexorability of a law of Nature, its own negation*"(p.763).

¹⁷ See e.g. Sieber (1981) on how unintended consequences are responsible for some of "*The Ironies of Social Intervention*".

"Social scientists have shown a strange reluctance to integrate research, theory, and practice in the study of unanticipated consequences." (p. 52).

In contrast to this, economists, who, for just as long time, have been concerned with external (dis)economies or externalities, have clarified both their concept and how to use it in theoretical analysis (see e.g. Baumol and Oates 1988 or Cornes and Sandler 1986). According to Mead (1973, referred by Cornes and Sandler 1986, p.29)

"An external economy (diseconomy) is an event which confers an appreciable benefit (inflicts an appreciable damage) on some person or persons who were not fully consenting parties in reaching the decision or decisions which led directly or indirectly to the event in question."

Baumol and Oates (1988) find it important to exclude market repercussions as one form of externality. They therefore emphasize that the benefit or damage must be inflicted on the unconsenting person through a "real" (non-monetary) variable:

"An externality is present whenever some individual's (say A's) utility or production relationships include real (that is, nonmonetary) variables, whose values are chosen by others (persons, corporations, governments) without particular attention to the effects on A's welfare." (Baumol and Oates 1988, p. 17).

The definition of externality is clearly some kind of unintended consequence as seen from an actors point of view (producer or receiver). Unintended consequences of societal or institutional setups are something else and obviously not included in the definition of externalities. Unintended consequences also are used to refer to consequences experienced in addition to those intended by the actor who initiated the action. It would seem that externalities are a sub-set of the unintended consequences of sociology.

Cornes and Sandler (1986, ch. 3) point out that *"an externality arises when the private economy lacks incentives to set up a potential market in some commodity and when the nonexistence of this market results in a Pareto-suboptimal allocation."* (p. 46). They investigate this in particular for public goods, impure public goods and club goods. For welfare goods of the club type or the positional type there are no markets by definition. Whether there also is a Pareto-suboptimal allocation of these goods or not, is, I suppose, an empirical question. It is not an obvious conclusion that it has to be so, but the tendency for development of such a situation may be strong. One then should be on the lookout for externalities.

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If one distinguishes between externalities according to origin and destination among either producers or consumers, it would seem that various types of externalities correspond roughly to various approaches to "*internalizing the externalities*".

Table 1.2 Various ways of handling externalities.

		GENERATOR OF EXTERNALITY		
		Producer	Consumer	
RECEIVER OF EXTERNALITY		Contracts setting up markets	"Market management" Producer protection	Producer
		Production regulations Consumer protection	"Traffic rules" Behavioural conventions	Consumer

Economists have mostly been concerned with externalities originating in the production or sales process and affecting either other producers or consumers¹⁸. But they also have studied how the consumption process may entail important externalities for example in the congestion of road systems or telephone systems (Bramness and Christiansen 1973).

However, the general impression from the available literature is that the externalities originating in consumption processes are both less studied and less paid attention to in the political processes concerned with designing regulations (Siegan 1979).

The focus here is on the consumption of welfare goods and how different kinds of externalities may arise in the processes of consuming them.

¹⁸ E.g. how smoke from the generation of electricity may affect a nearby laundry, or the sale of poorly tested drugs may affect public health. See e.g. Baumol and Oates 1988 or Siegan 1979.

Consumer generated externalities and welfare goods

1. Private welfare goods.

Normally it is assumed that the utility which one person derives from the consumption of one unit of a private good will not be affected by whether another person consumes a unit or not. There may, however, in some circumstances be concern for the distribution of consumption affecting utility of a person.

Since private welfare goods are either free or subsidized there will be a budget constraint on the number of units available at the subsidized price. The effective demand for the subsidized good may then exceed the available supply and the question of how to distribute the goods arises. If nothing is done, the first customer may buy the whole production and sell it at a higher price, pocketing all the subsidy.

The usual solution is to ration the quantity one consumer can acquire. A bureaucracy is needed to determine how much each can get and to keep track of how much each has acquired. The cost of such a bureaucracy must then be compared to the increased income the consumers would have had without the bureaucracy and the subsidy. Maybe the increased tax going to the bureaucracy outweighs the value of the subsidy. But even if this may be the case, distributional consequences may be such that one prefers the bureaucracy and the subsidy. One could also consider increasing the supply of subsidized goods for an amount equal to the cost of the bureaucracy.

The reason for making a private good a welfare good is of course the concern for the distribution of it. Consumer initiated externalities among consumers will in this case arise if no bureaucracy exists or if it does not work properly. The social cost (or disutility) tied to consumption of the welfare good¹⁹ then depends on the cost of the bureaucracy compared with the distribution achieved.

2. Public welfare goods.

For the pure public good there can be no consumer generated externality

¹⁹ However, the consumption of private goods (non-welfare as well as welfare) also generates refuse. This private cost of consumption is easily turned into a collective bad if the private cost is minimized by throwing it out onto the street or over the fence to the neighbor. This problem has found its solution in the provision of various (more or less) compulsory club goods like sewers, garbage collection, and restrictions on the use of fire. Not everywhere are these club goods welfare goods.

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affecting other consumers. But for public welfare goods this is not true. A welfare good can be made a public welfare good by a political decision, like primary schooling or hospital services or roads. If a welfare good is available to all and in such quantities that there is no rivalry in the consumption of it, then it truly is a public good. However, modern welfare states have increasingly run into trouble fulfilling these requirements. There are barriers to the access to a hospital and there are times when traffic congestion mocks the idea of transport.

If one takes schooling as an example of a pure public welfare good²⁰, the amount and quality of the education each pupil receives will determine a ranking of those who have received the public welfare good. This ranking, based on perceived differentials in quantity and quality of the education received from different establishments, will lead to differentials in demand for the education of these establishments. If rivalry develops in the consumption of the education offered by some schools, it will be impossible to keep the school system a pure public good.

If problems of maintaining a good as a public good appears, two different ways of managing the consumption of it, without making the good a private good, seem to be available. One may either make it a club good or a positional good.

3. Positional welfare goods.

If the welfare state has determined that what technically is a private good shall be available to all, like for example care in hospitals for all in need of such services, then the consumers are non-excludable from this service. If the number of persons judged to be in need of such services does not exceed the total available capacity, the good is a pure public good. But if there is just one person more than the capacity, rivalry develops and takes the form of waiting time for admission (queuing-effect) and/or schemes to bypass the queue (competition) as long as the quality of the service (time spent on each consumer) is kept constant. The typical positional welfare good is a personal service, like treatment in a hospital. For these goods there is not only a budget constraint, but equally important: there is a time constraint in the form of a finite number of hours of service available. The more hours of service each consumer consumes, the less will be available for other consumers.

²⁰ One may consider to what extent education can be considered consumption in the same sense as for example hospital treatment. Primarily education is an investment in human capital.

Since it is not possible to distinguish between acquisition and appropriation²¹, the consumers cannot "resell" any excess service they may get. Rationing of quantity like it was discussed for private goods, is thus unnecessary. It is the amount of time spent by the service workers which needs rationing. For most services competition for the time available will represent a pressure in the direction of a lower service quality as for example measured by the time and/or attention spent on each consumer. Professional standards and institutional barriers tries to counteract the pressure towards lower quality. The rationing therefore typically takes the form of a queue of consumers. In this queue the consumption of one person affects the timing of the consumption of other, as yet unserved, consumers rather than the amount of service available per consumer.

The accumulated social cost at any moment depends both on the number of consumers waiting and the length of time they have waited and will vary according to how the disutility depends on waiting time. For some services like hospital treatment it may be considerable since people are known to die waiting for hospital treatment.

4. Club welfare goods.

Club welfare goods are indivisible and excludable. Typically the club welfare good is tied to the use of a geographically bounded installation or a bounded resource.

The road system illustrates this. Since the cost of the roads are covered by tolls on road use and car ownership, the road system can be seen as a club where title to a car (and sometimes willingness to pay the road-toll) functions as the membership card. As the number of members who use the club increases, crowding leads to slowdown in traffic (deteriorating quality of the product) and dangerous driving (competition).

In any bounded installation containing a good, there is an upper limit to the number of consumers which can appropriate the good at any one moment in time. The exact number does not have to be definite. As the number of consumers increase, each consumer will experience crowding. On the highway this has the consequence that average travelling speed goes down. In the telephone system the waiting time to get through increases. Typical for this kind of externality is that the last consumer to actively try to appropriate the

²¹ The term acquisition is used for the process of gaining legal title to some good. Appropriation is used for the process of making the good a personal possession, a part of the owners total portfolio of valued possessions. The distinction is useful since some "objects" are destroyed in the process of appropriation others are not.

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good not only increases the cost for those already appropriating it, but also his own cost. This is different from the positional good in that those joining the queue did not affect the cost of those already in the queue.

On the other end of the use scale, a club usually needs a certain minimum number of members. As the number of members decrease, thinning may lead both to a declining quality of the service (if for example sociability is an important part of the product) and to the closure of the club (if the fixed cost of the installation makes the membership fee or entrance fee too high relative to the good appropriated). In peripheral areas where the number of people go down, the decision of some households to move out of the area may lead to the closure of the local school, and hence to a welfare loss for the households remaining.

The consumer generated externalities of club welfare goods are experienced in real time and depend not only on the number of consumers, but also on how close this number is to the carrying capacity of the club²². Once the effect of crowding sets in, the total social cost will increase exponentially with the number of consumers (Baumol and Oates 1988, p.90).

Conclusion

The existence of consumer generated externalities inherent in the process of consuming welfare goods has not been sufficiently recognized and taken into account in the theory of the welfare state. In efforts to improve the provision of welfare goods, ways of handling these effects must be found. One way of doing it may be to be more specific about the rights, privileges, powers and immunities a citizen has in relation to specific welfare goods. One possible guide for such a task would be property rights theory.

²² It would seem that the effort to found a new urban sociology on the concept of collective consumption might find some justification in the existence of consumer generated unintended consequences associated with the consumption of the various club goods and bads found in "a relatively large, dense and permanent settlement of socially heterogeneous individuals." (as Wirth (1938, p.8) defined the city). The "club" character of urban areas and the "club" character of many of the goods which make urban areas attractive to people, should be taken to qualify the assertion of Saunders (1986, p. 288) that "It is time, in short, to develop a nonspatial urban sociology which, while recognizing the empirical significance of spatial arrangements, does not seek to elevate these arrangements to the status of a distinct theoretical object." (See also Otnes 1986).

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On the nature of welfare goods

Abstract

The paper argues that unintended consequences arising from the consumption of welfare goods are one fundamental and unrecognized cause for the problems of the welfare state. In particular, unintended consequences originating in consumer-consumer interactions in the target population are considered interesting. To improve the performance of public policy measures, the planning of the various welfare goods must take into account how the substance of the process involved shapes the interactions producing the unintended consequences.

In order to understand how unintended consequences affect the delivery of welfare goods, a classification of these goods into private, public, club, and positional goods proved useful. The various types of welfare goods are shown to be related to different types of consumer-consumer interactions producing particular types of unintended consequences.

Since the typology is analytical, concrete consumer "packages" may be found to be joint products of several types of good, and hence related to several types of unintended consequences.

Samandrag

Artikkelen argumenter for at uintenterte konsekvensar frå konsumet av velferds goder er ei fundamental og lite erkjent årsak til problema for velferdsstaten. Særlig vert det hevda at uintenterte konsekvensar i målgruppa for velferdstiltaket er interessante. For å gjera offentlege politiske tiltak til bedre instrument, må planlegginga av dei ulike velferdsgoda tilpassast korleis substansen i den einskilte prosessen påverkar interaksjonane som produserer dei uintenterte konsekvensane.

For å forstå korleis uintenterte konsekvensar påverkar leveringa av velferdsgoda, viste ei klassifisering av dessa goda som private, offentlege, klubb eller posisjonelle goder å vere nyttig. Det viser seg at dei ulike velferdsgoda har samanheng med ulike typer konsument-konsument interaksjonar som fører til særigne uintenterte konsekvensar.

Sidan typologien er analytisk, vil konkrete konsument "pakkar" kunne vere eit samansett produkt av fleire typar gode og derfor også til fleire typar uintenterte konsekvensar.



SOSIOLOGISK ÅRBOK 1991

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ISSN 0800-7497

Nordberg Trykk A/S