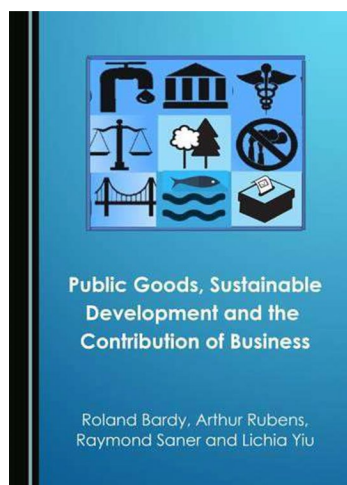


## **Public Goods, Sustainable Development and the Contribution of Business**

By Roland Bardy, Arthur Rubens, Raymond Saner, and Lichia Yiu



ISBN-13:  
978-1-5275-6310-0

ISBN-10:  
1-5275-6310-3

Date of Publication:  
22/02/2021

Pages / Size:  
332 / A5

Price:  
£64.99

This book provides an expansive review of the public goods theme and highlights the inherent linkage between sustainable development and corporate responsibility for improving the current and future welfare of communities both at home and abroad. The main proposition here is that sustainable development is focused on preserving and maintaining public goods. Consequently, whoever uses public goods is liable for their preservation, their maintenance, and, where they are underdeveloped, for their expansion. Successful delivery, both now and in the future, depends on a positive relationship of the public sector with the private sector. This book will serve to stimulate discussions of scholars and policy makers in the field of sustainable development with business leaders, and will close the gap between the public and the private sectors by building a common understanding and common methodologies for implementing and measuring sustainable development in the macro- and the micro-spheres.

### **A Word from the Authors**

The mainstream discussion on sustainable development very often does not expose that securing sustainable development is equal to providing, preserving and maintaining public goods. Also, we hear repeatedly that businesses cause harm to the environment and to social structures, and that, if they act otherwise, this only comes from their self-interest. This rhetoric jeopardizes social coherence and delays progress in the economic, the ecological and the social spheres of life. The book wishes to use a different manifestation: For achieving lasting outcomes in the endeavor to promote sustainability, businesses, individuals and state actors must participate fully in communal efforts on all levels without preconditions.

While the relatively large number of titles on Public Goods which came out until 2020 shows that there is a demand for the topic, most of the authors largely focus on one perspective of the issue. Nobel-laureate Jean Tirole gives a representation of the socio-economic concept, and the book of the famous American management authority Philip Kotler, which bears the sub-title of "Strategies for Businesses, Governments and Non-profits", mainly narrates examples of well-known leaders to emphasize the need for action. Our team of authors, by contrast, approaches the topic from various angles, not least from the dimension of measuring. The idea is to offer a holistic conception that covers the macro- and the micro-economic, the political and the developmental aspects and that shows which range of action is available at different levels of decision-making and what outcomes they may provide.

When relating the topic of public goods to the sustainable development agenda, a multitude of perspectives needs to be dealt with – apart from the economic, the social and the ecological perspectives, they are the ethical, the institutional and the measurement dimension. All of these are interlinked, as are the endeavors for sustainable development by businesses, governments and international institutions. While this is not new, the formats of these linkages and interdependencies – and the consequences of such interconnectedness – have not been exhibited in a comprehensive way like the one that is offered by our book.



### Critical Praise

**“The book admirably serves the purpose of framing and shaping the public and commercial discourse on their use of public goods. It provides a uniquely accessible understanding of how current use and costing needs to change to strike the best approach to balancing economic vitality today while protecting future generations and preserving our planet’s resources for our descendants.”**

***Jerome Katz,  
Brockhaus Chair of Entrepreneurship, Chaifetz School of Business, Saint Louis University***

**“The pandemic that washed over the globe in 2020 demonstrated that the provision of public goods is still central to civilized societies. Businesses have a share in this, and their contribution is essential to achieving sustainable development. This book provides a grounded and topical approach to understanding how business can contribute to public goods and help achieve the vision for 2030.”**

***Jerry Davis, Gilbert and Ruth Whitaker Professor of Management, Professor of Sociology,  
Michigan Ross School of Business***

**“A very timely and unique perspective on how sustainability matters in the use of public goods by consumers and producers. I particularly appreciated the message that businesses have a social responsibility in the use (and abuse) of public goods.”**

***Jagdish N. Sheth,  
Charles H. Kellstadt Professor of Business, Goizueta Business School, Emory University***

**“At last! A book that makes business a critical element of the conversation about sustainable development in a multi-institutional environment.”**

***Edward Freeman, Professor, The Darden School, University of Virginia***

**“The themes of the book are all key contributors to attaining the Sustainable Development Goals. This book is timely and provides a holistic view on the link between public goods, sustainable development and the crucial contribution of business, as well as providing clear guidance on a way forward in addressing global challenges.”**

***Victor van Vuuren,  
Director, Enterprises Department, International Labour Organisation***

**“There is an enormous gap between the macro-ambition of creating public goods and the micro-translation of this ambition in relevant business strategies. This book clearly serves the purpose of that translation, not in the least by showing how the SDG agenda of the United Nations creates a platform for this endeavor. We need to step up the pace.”**

***Rob van Tulder,  
Professor of International Business-Society Management at Rotterdam School of  
Management, Erasmus University***

---

### About the Authors

Roland Bardy of BardyConsult in Mannheim, Germany, is a former executive with BASF. He took up teaching after retiring from business in 1999.

Arthur Rubens is Professor Emeritus at Florida Gulf Coast University. He presently teaches at Audencia Business School in Nantes, France.

Raymond Saner is Titular Professor at the University of Basel, Switzerland. He also teaches at Leuphana, Lüneburg, and Sciences Po, Paris and consults at OECD and the United Nations.

Lichia Yiu co-founded the Centre for Socio-Economic Development in Geneva in 1993, an independent research and development NGO. She teaches organizational development, leadership, and stakeholder management.



## **Why is Our Book So Important NOW?**

The world is facing unprecedented challenges: Global warming, shortages of essential resources, global pandemics, accelerations in technology and globalization, etc., which will require a multi-disciplinary approach to address these world conditions. The biggest problems today and in the future are not local or national problems, but “global problems” which will require “global solutions” e.g., climate, trade, technology, migration, contagion, etc.

Most recently the world has been engulfed in a “global pandemic” and countries that have proven to be successful at flattening the curve and reducing the prevalence of the CoVid-19 virus are those countries that formed strong alliances between the public and governmental sectors and the private business sector.

The many crises facing the world today and, in the future, will require a new definition of the “Common Good” which will require collaborations between ALL sectors of society and throughout ALL parts of the world.

The “Public Goods” or the provision of what enables ‘collective wellbeing’ and ‘social/economic progress’ will increasingly become “central” to countries political discussions regarding their nation’s future and their role in the world.

For the world to sustain itself and grow in the future, each country (government and individual citizens) and each business must become ‘open’ to the manifold flows of innovations and be able to quickly respond to the varied crisis that they and others will be confronted with – this will require the creation of large coalitions of public and private sectors.

Health, education, the internet, job opportunities, justice, peace, and more are all public goods on which survival of mankind depends. The present and future generations only will survive if our communities, out towns, our factories, our schools, and our countries work collaboratively together.

There is a NEW COVENANT between the public and the private sectors which is based on mutual respect between governments, civil society organizations and businesses, who ALL share a responsibility to each other. As part of this new covenant, businesses are moving from a shareholder model to a stakeholder model where businesses are engaged in business practices that benefit all stakeholders within and outside the organization.

The goal of sustainable development which is, according to the Gro Brundtland definition “meeting the needs of the present generation without compromising the ability to future generations to meet their needs”, can only be achieved if no one is left behind and if all sectors of society are included in collaborating for this goal.

## **Who is the Book For?**

Academics, government officials (local and national), policy makers, international organizations, non-profit agencies, local and national business leaders, and any individual who is concerned with the future of the world.

## **What Does the Book Do?**

The Book explains the interconnectedness of social, economic, and political phenomena and how they collectively relate to “public goods”. The book further explains how and why business firms exert a critical influence on sustainable development, as well as the various definitions and classifications of the public goods concept.

## **How Should Our Book be Used?**

Our book can be used as primary teaching tool or as a supplemental list of readings for university classes, seminars, and workshops given by both public and private entities. The book provides material on:

- How to conceptualize the public goods construct from a sociological, political and economic perspective and enumerates classical and contemporary examples.
- How to relate corporate responsibility to the sustainable development goals and gives practical cases on how businesses and public authorities commonly provide public goods.
- The value system on which to base preferences/dimensions in public goods decisions.
- How public goods can be measured in public statistics and business reporting.
- The multiple capital paradigm inherent in corporate performance on a triple bottom line that includes the cost of public goods usage.

Public Goods, Sustainable Development and the Contribution of Business is available now in Hardback from the Cambridge Scholars [website](https://www.cambridgescholars.com). Ebook version available via [Google Play](https://www.google.com/play/books).



## TABLE OF CONTENTS

|  |            |
|--|------------|
| <b>Part 1: Accessing the Public Goods Phenomenon .....</b>                         | <b>7</b>   |
| <b>Chapter 1.....</b>  | <b>9</b>   |
| <b>Three Basic Approaches</b>  |            |
| 1.1 The philosophical/societal approach  |            |
| 1.2 The property rights approach   |            |
| 1.3 The public finance approach  |            |
| <b>Chapter 2 .....</b>   | <b>20</b>  |
| <b>Policy Consequences Resulting from the Three Approaches</b>                     |            |
| <b>Chapter 3 .....</b>   | <b>24</b>  |
| <b>The Dilemma of Finding a Comprehensive “Operational” Definition</b>             |            |
| 3.1 The utility issue: Enabled versus potential utility                            |            |
| 3.2 “Commons”, “fully or not fully non-excludable” and “non-rivalrous”             |            |
| 3.3 Pure and impure public goods, club goods, market failure and dilemmas          |            |
| 3.4 Local – regional – global  |            |
| 3.4.1 Local public goods and local authorities                                     |            |
| 3.4.2 The regional scope and its practicality                                      |            |
| 3.4.3 Regional and global public goods   |            |
| 3.4.4 Presenting an exemplary debate: Is the Internet a public good?               |            |
| 3.5. Intergenerational public goods  |            |
| <b>Chapter 4 .....</b>   | <b>57</b>  |
| <b>How Argumentations Shape the Path Away from Operationality</b>                  |            |
| 4.1 Misleading argumentations  |            |
| 4.2 The “commonstock” dispute on governance: Who “owns” public goods?              |            |
| 4.3 The dispute on appropriation and dis-appropriation                             |            |
| 4.4 Providers and users, free riders and corruption                                |            |
| <b>Chapter 5 .....</b>   | <b>72</b>  |
| <b>Defining “Value”: Another Dilemma?</b>  |            |
| 5.1 Which value for which goods?   |            |
| 5.2 Monetary and non-monetary value and value indicators                           |            |
| 5.3 The concept and measurement of externalities                                   |            |
| 5.3.1 Contingent valuation   |            |
| 5.3.2 Rent capitalization  |            |
| <b>Chapter 6 .....</b>   | <b>90</b>  |
| <b>Cost Considerations: A Path Towards an Operational Concept for Public Goods</b> |            |
| 6.1 Cost types in public goods production, delivery and maintenance                |            |
| 6.2 From cost and value to net benefits  |            |
| <b>Part 2: Public Goods in Public Statistics .....</b>                             | <b>101</b> |
| <b>Chapter 7.....</b>  | <b>102</b> |
| <b>Environmental and Social Resources in the System of National Accounts</b>       |            |
| <b>Chapter 8.....</b>  | <b>108</b> |
| <b>Defining Social Capital</b>   |            |
| 8.1 The World Bank Social Capital Indicator and beyond: An output concept only?    |            |
| 8.2 Social capital at local levels   |            |
| <b>Chapter 9 .....</b>   | <b>115</b> |
| <b>Regional and Local Level Assessments</b>  |            |
| 9.1 Assessing a social resources stock   |            |
| 9.2 Natural resources assessment   |            |
| <b>Part 3: Public Goods and the Business Environment... 125</b>                    |            |
| <b>Chapter 10 .....</b>  | <b>126</b> |
| <b>Private Sector Reporting on Sustainable Development</b>                         |            |
| 10.1 The Global Reporting Initiative (GRI)   |            |
| 10.2 Corporate sustainability and business performance                             |            |
| <b>Chapter 11.....</b>   | <b>132</b> |
| <b>Corporate Policies on Business Responsibility</b>                               |            |
| 11.1 The Davos Manifesto   |            |
| 11.2 One major strategy: The circular economy                                      |            |
| 11.3 Overcoming bygone antagonisms   |            |

|  |            |
|--|------------|
| <b>Chapter 12 .....</b>  | <b>141</b> |
| <b>Responsible Business Principles in Practice</b>   |            |
| 12.1 <b>Conscious Capitalism</b>   |            |
| 12.2 <b>The Triple Bottom Line</b>   |            |
| <b>Chapter 13 .....</b>  | <b>146</b> |
| <b>Multiple Forms of Capital and the Value Creation Process</b>  |            |
| 13.1 <b>The overall stock of assets</b>  |            |
| 13.2 <b>Achieving market returns and social returns</b>  |            |
| <b>Chapter 14 .....</b>  | <b>155</b> |
| <b>Businesses Using Public Goods</b>   |            |
| 14.1 <b>Who pays for public goods usage?</b>   |            |
| 14.2 <b>Public goods and corporate growth</b>  |            |
| <b>Chapter 15.....</b>   | <b>159</b> |
| <b>Expanding the Concept of Economic Value Added to Measure Overall Business Performance</b>                         |            |
| 15.1 <b>The inward and the outward perspectives on business capital</b>  |            |
| 15.2 <b>The constant capital rule</b>  |            |
| 15.3 <b>Understanding value added</b>  |            |
| 15.4 <b>Value versus cost in measuring natural and social resources</b>  |            |
| <b>Chapter 16 .....</b>  | <b>172</b> |
| <b>Industrial Policies to Attain Stakeholder Acceptance</b>  |            |
| <b>Part 4: Policies for Improving the Macro-Micro Linkage175</b>   |            |
| <b>Chapter 17.....</b>   | <b>177</b> |
| <b>Objecting the Involvement of Business: Negative Narratives Only?</b>  |            |
| 17.1 <b>Businesses “enclosing” the commons</b>   |            |
| 17.2 <b>Public services procured by both the state and businesses</b>  |            |
| <b>Chapter 18 .....</b>  | <b>184</b> |
| <b>Formats of Business Involvement in Public Goods Provision</b>   |            |
| 18.1 <b>From passive to active involvement of businesses in community affairs</b>                                    |            |
| 18.2 <b>Frameworks for collective efforts</b>  |            |
| 18.3 <b>Genuine provision of public goods by the private sector</b>  |            |
| 18.4 <b>Practical advice from theory: General rules for uniting private and public actors</b>                        |            |
| 18.5 <b>The ineffective efforts to protect the human rights of fishermen</b>   |            |
| 18.6 <b>On a more positive end: The Green Deal of the European Union</b>   |            |
| 18.7 <b>The need for abstaining from ideology</b>  |            |
| <b>Chapter 19 .....</b>  | <b>206</b> |
| <b>The Business World and the SDGs of the UN 2030 Agenda</b>   |            |
| 19.1 <b>Why human, social, economic and ecological sustainability are inseparable</b>                                |            |
| 19.2 <b>The need for coordination: Public-private partnerships, social efficiency, and social effectiveness</b>      |            |
| 19.3 <b>The role of civil organizations (CSOs)</b>   |            |
| 19.4 <b>Coordination and monitoring</b>  |            |
| 19.4.1 <b>Enablers of global collective efforts: UNCTAD and WTO</b>  |            |
| 19.4.2 <b>Food security: Controlling a global public good bottom up?</b>   |            |
| 19.4.3 <b>Standard setting as a means of control on public goods provision</b>                                       |            |
| 19.5 <b>Societal control: Revitalizing the social capital debate</b>   |            |
| <b>Chapter 20.....</b>   | <b>234</b> |
| <b>Performance Control for Public Goods Provision through Monitoring the SDGs</b>                                    |            |
| 20.1 <b>Assessing the local, national/regional and global impacts</b>  |            |
| 20.2 <b>Multi-level control</b>  |            |
| 20.3 <b>Attaching SDG control to business performance</b>  |            |
| <b>Conclusion.....</b>   | <b>241</b> |
| <b>Businesses, Individuals and State Actors Collaborating for Public Goods Provision and Sustainable Development</b> |            |
| <b>References.....</b>   | <b>245</b> |
| <b>Index.....</b>  | <b>296</b> |
| <b>About the Authors .....</b>   | <b>313</b> |





## PREFACE

### Conflicting means and common goals: The promotion of public goods and services

Public goods include the goods and services that are used by the members of a given nation or society and can be provided by both public entities as well as private sources. These goods and services are usually not for profit in nature and generally are available to all and don't exclude individuals from using them. Almost all nations of the world provide public goods and services to varying degrees. Although the public expects the ongoing provision of public goods such as roads, defense, the legal system, police, education, etc., it is during times of crisis when the need for, and the emphasis on, receiving these goods and services are greatest. In the last decade in particular, we have seen many events that have demanded a need for public services and goods as a result of natural disasters, such as hurricanes in the U.S, tsunamis in East Asia, earthquakes in Italy or manmade disasters such as the influx of migrants from war-torn regions and the great economic recession in 2007/2008 when almost all the nations of the world were impacted by the financial downturn. However, no event, albeit since the Second World War, has challenged nations greater to provide public goods and services than the coronavirus pandemic that has ravaged all nations of the world. The effects of this pandemic, compared to previous worldwide events (wars, diseases, etc.), are yet to be fully realized and understood; however, there is no doubt that the CoVID-19 pandemic will not only change how we work and live around the world, but will surely change how we provide public goods and services in the future.

The title of this preface is: "Conflicting means and common goals: The promotion of public goods and services." With this I wish to reflect the historical antagonism between the means employed by public and private entities and the increasing reality that although public and private entities address issues differently and might have a different mission, there are "common goals" in regard to the promotion of public goods and services. Beyond what has previously been said, there are several reasons that have contributed to the fact that public goods and services rank high on many countries' political agendas. To name a few reasons why the topic is gaining prominence: The rise of deficit spending and expansionary monetary policy worldwide; the financial sector disconnecting from the real economy through interconnected global markets; persisting and increasing social inequalities among the world's nations; and the growth in environmental pollution around the world.

The efforts needed to address these issues, as well as future issues like climate change, water shortages, population growth, etc., will require a different socio-economic model that goes beyond market-oriented policies driven by special interests, but rather a model where policies reflect established linkages between the public and private sectors. These factors make the book *Public Goods, Sustainable Development and the Contribution of Business* a timely and welcome addition. This book offers a thorough interdisciplinary analysis of how public and private entities can work together on the delivery of public goods and services to meet the growing needs of society in all sectors. This book, which is based on a very structured theoretical reflection and supported by practical cases and examples, further provides a valuable inventory of the various reforms currently under way.

Historically, the study of business and economics has controversially discussed the arguments for or against non-market approaches to any economic activity, especially in the delivery of public goods. One of the reasons for this controversy stems from the fact that many business and economic practices cannot be reduced to a simplistic contrast between market and public goods. Similarly, a dichotomous contrast between individual private activity and collective public activity is equally simplistic. Business activities are delivered in a variety of forms, ranging from social operational patterns to the establishment of efficient markets.

Therefore, any delimitation of the field of economics and business activities deserves special attention. While for some, any social fact can be analyzed by economic science, for others this discipline has a limited scope. For the former, economics is a discipline like physics, and their normative implications have to be strictly treated separately from its scientific analysis. For the others, economics remains a social science, and their normative implications have to be explicitly part of it. The authors of this book clearly and potently follow the latter perspective. However, this perspective can also lead to extreme positions.

One may designate economics and business activities as the science of social action par excellence; another may seek to demonstrate that it cannot recommend public policy in a neutral and independent way according to objective criteria. To resolve this, this book helps policy makers better understand the linkages and boundaries between goods and services provided by the market and those provided by non-market mechanisms, such as the public and third sectors. This book, in its discussion of social collaboration models defines what and how much of those goods have to be provided by the different mechanisms.

In the early chapters of the book, the authors present the current definition of public goods and services which is based on the criteria of non-rivalry and non-exclusion, which on face value contrast with the principles of competition and prices being set by the supply and demand dynamics of the market. In that sense, they are justified as markets fail to fulfill such criteria. However, market failures must be considered when comparing these failures with the failures of politics which is needed in order to provide public goods and services. These failures are starkly present when looking at the countries that have and have not been successful in fighting CoVID-19. Also, in this pandemic we have seen the importance of public policies and the provision of public goods and services (this would be a leading indicator), while countries that have failed in this, have seen significant failures in market and economic conditions (a lagging indicator).

It is an established fact that one of the foremost objectives of collaboration in society is the maintenance and expansion of public goods. For this objective to be achieved, businesses, individuals and state actors must participate fully in communal efforts without preconditions. Hence, one of the necessary requirements is to stop the often-stated criticism against business by NGOs and not-for-profit entities which allude to the assumed focus of the private sector as being only concerned about their self-interest. While it is assumed that many individuals act in self-interest, this pursuit of self-interest can work advantageously in the delivery of public goods and services, which ultimately promote sustainable development. Giving an example, this book highlights the importance of economic criteria favoring cost-benefit analysis that make it possible to compare market and non-market solutions.

Public goods and services constitute the guarantee for each citizen, regardless of his/her social position, to have access to essential goods and services which serve the common interest. This is the reason why we generally speak of universal public goods and services, of which a clear illustration is the preservation of the natural environment. This is in fact both the expression of the general interest of the community and the means given by the state to constitute economic, social, territorial and cultural cohesion within its borders. The concept of public goods and services thus makes the link both between the individual and society, and between the economy and its social context.

Any modern study of business and economics contrasts the different tools that are available for correcting market failures, but mainstream textbooks still remain skeptical about the view that public goods and services are the best possible correction of market failures. However, there is a consensus on the need for individual actions, and that varied incentives can be used to change human behavior. This can certainly gain in relevance if it recognizes the value judgments on which conclusions are based. Moreover, theorists and practitioners should accept the fundamental role of public goods and services, as they provide essentials for citizens, who cannot make free choices as long as they are constrained by discrimination, lack of education, health and exclusion, as well as exposure to pollution. Society should ensure social cohesion and promote the feeling of belonging to a community. It has to find a balance between the private interest and the public good in adopting a policy which relies on the complementary functions of private and public goods and services. In order to be effective and balanced from the point of view of the territory and the management of common resources, such a policy has to be implemented both spatially and over time.

The boundaries of the public and the private spheres are tenuous, and there has never been an ethical foundation for separating these spheres. From that perspective, this book highlights the growing changes in mission of many businesses and their renewed focus on the greater stakeholder models which move beyond the shareholders concept to include all members of society. If the provision of public goods and services is understood as a sort of safeguard of the common good, bringing together the two old economic traditions which are the positivist one and the moral one, the public goods concept will be the necessary social compact binder between what is generally confined either to the private or to the public sectors, and this may be able to reduce many of the social tensions which we observe all over.

This book and others are needed to continue the urgent discussion on the role of the business sector in the provision of public goods and services, as well as on the tangible value-added benefits that are gained by both the public and private entities alike. Also, all that is needed is that the perception of businesses as being only profit-seeking entities be revised as world leaders work collaboratively with private and public organizations to address the needed reforms that contribute to the long-term sustainability of our world.

*Beat Bürgenmeier, Professor Emeritus at the University of Geneva*

