Global Public Goods, Commons and Governance:

The Current State of Play

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Excellencies,

Ladies and gentlemen,

Colleagues and friends,

it is a great honor and privilege for me to have been invited to this Conference and to present my thinking on the subject of '*Global Public Goods, Commons and Governance: The State of Play'*.

You have chosen a highly relevant topic. We are confronting a lengthening list of unmet global challenges; and we are hearing ever-more frequent and insistent warnings that urgently needed policy reforms are not forthcoming. For one example, just think of the recently-released *Fifth Assessment Reports* of the Intergovernmental Panel on Climate Change (IPCC). As they have done countless times before, the world's leading scientists are again telling us that the window of opportunity is closing fast. The IPCC's Working Group III even stressed: Corrective action will be affordable.

Yet, I am afraid, we will have another 'déjà-vu' experience: Reports such as those of the IPCC come and go, achieving only limited policy impact. This has been the pattern in the environmental field for the past half century or so, since the 1972 Stockholm Conference on Human Settlements. Even the annual *Global Risks Reports* of the World Economic Forum (WEF) have, for the most part, encountered this fate.

This is not to say that nothing is happening. To the contrary, a lot is happening. The growing importance of global challenges has not gone unnoticed. Whether it is climate change, the specter of natural-resource scarcities, global inequity, cyber-crime or drug-resistant diseases, these issues have made it onto national and international policy agendas. Only, in large measure, they remain unresolved.

At the same time, we have achieved tremendous scientific and technological advances; income has expanded; and though we could have done better, and hope for further progress, human development, too, has progressed. Today's world holds the great promise of a better life for all.

So, why do we not use the strengths we possess to more decisively tackle the challenges we confront?

In this lecture I would like to address that question. I will argue that the key impediment to more rapid and concrete progress in many of the global-challenge areas is governance.

More precisely, I will suggest that the adjustment of our governance systems to changes in global policymaking realities has been inefficient. The governance of global challenges still follows conventional – 20th Century – policymaking strategies.

But, you might ask, according to which criteria can we distinguish between inefficient and efficient institutional adjustment? How would we recognize governance systems that are fit for the 21st Century?

This is the *first point* I will address. I will identify six criteria according to which I will, then, in the *second point*, assess our current readiness to address global challenges. Based on this assessment, I will, in the *third point*, offer four concrete governance reform proposals. Taken together, these reforms could eventually allow us to have both – that is, openness and sovereignty. And it is both – strong national policymaking sovereignty and well-managed openness – that we will need if our goal is to achieve more balanced, inclusive and sustainable global growth and development.

I   Meeting global challenges: determining the governance requirements

By now, it has become quite common to refer to global challenges as global public goods (GPGs); and a brief introduction to this concept is presented in Annex **box 1** and **box 2**.

However, concepts are socially constructed; and, therefore, they are likely to vary across time, space and culture. Moreover, the phenomena they denote may evolve and change. Therefore, it seems useful, at the outset, to examine more closely the basic characteristics of global policy challenges and define the three components of the GPG concept: 'global', 'public' and 'good'. This will allow us to see more clearly the key properties of these challenges and identify the governance requirements they pose under today's policymaking conditions, including the planetary boundaries that we need to be aware of, the trend towards multi-polarity and the changed and still changing relations between state and nonstate actors.

Let us then take these three concepts in turn, beginning with '*global*', before identifying the six criteria of governance readiness.

1:   (Re-)defining global

For many, this term refers to something that is 'out there', outside of the national or regional policy space, or 'on top', i.e. supra-national or regional. In other words, 'global' is often associated with hierarchy, centralization, standardization, loss of policy space. For many, it thus has a negative connotation (and, in some cases, this is understandable, as we will discuss later).

But, the globalness of GPGs is of a different nature. It is more appropriately described as reflecting the fact that GPGs – specifically, their public effects, costs and benefits – are of *trans*national, planetary reach and of a pervasive, permeating quality. They seep into national policy spaces and, beyond those spaces, affect both the natural commons – like the high seas or the atmosphere – and the human-made commons – like the World Wide Web or the global normative framework and physical infrastructure.

Thus, seen from a national perspective, GPGs are not just foreign, external things. Rather, they are outside *and* inside, local *and* planetary – all around. They are global-public.

Therefore, let us now turn to '*public*'.

2:   (Re-)visiting 'public'

In the present context, 'public' does not refer to anything state-related. Rather it refers to us, potentially all of us, who may be affected by – be able to, or have to consume – a particular good. We may also be among its providers; therefore, we will want to participate in relevant decision-making processes, and, last but not least, derive, if possible, some net-benefit from that involvement.

Thus, four dimensions of publicness need to be differentiated and managed: publicness in consumption, provision, decision-making and utility.

PUBLICNESS IN CONSUMPTION: Just like public goods of other – i.e. local, national or regional – reach, GPGs are, as economists say, public in consumption: potentially affecting all and, sometimes, even doing so haphazardly. They are in the public domain.

But note: Publicness – and its opposite, privateness – are, in most cases, not innate properties of a given good but result from choices that we, the general public, and/or our policymakers make, notably our choices about the (non-)excludability of a particular good. Globalness constitutes a special form of publicness; and it, too, often results from a policy choice. For example, many states have chosen to remove at-the-border controls and promote the

integration and globalization of markets. In other cases, there exists considerable hesitance to maintain or promote the globalness of certain concerns, as can be seen from the international debates on which GPGs to recognize as a global commons or common heritage of humankind. (See also Annex **box 3**)

PUBLICNESS IN PROVISION, DECISION-MAKING AND UTILITY: While the consumption properties of a good determine whether it is public or not, most public goods, including GPGs, are – in today's world – also public in provision: They require multi-actor, multi-sector and multi-level interventions.

In previous decades, requisite contributions to GPGs could be 'enforced' due to the concentration of global power in the hands of a few superpower states. With increasing multi-polarity and trends like the strengthening of civil society and the advance of political openness at national levels, this is no longer easily done. Demands for more publicness in national- and international-level decision-making on global challenges are growing louder. Their aim is more justice and fairness in international decision-making and the achievement, thereby, of more publicness in utility.

Thus, as also shown in Annex **figure 1**, the current power balances among states and between state and nonstate actors call for, as one could say, the 'squaring of the four Ps of publicness': publicness in consumption, provisioning, decision-making, and utility.

In current times, the term 'public' in public goods does not refer to 'state' or 'government'; and, in the case of GPGs, it certainly does not imply that more needs to be done externally or supra-nationally at the expense of national policymaking sovereignty, including the freedom of governments and nonstate actors. In many instances, states and international organizations, including intergovernmental organizations, still play an important role. But, they are often just one actor-group among others.

'Public' in the present context instead refers to the four 'Ps' that need to be squared. It alerts us to an important condition of effective contemporary governance: Publicness of consumption has to be matched with publicness in decision-making so that publicness in utility may result. This will incentivize all concerned actors to support the provisioning of the good in question.

And now, let us turn to 'good'.

3: (Re)conceptualizing 'good'

The term 'good' in public good has no value connotation per se. It is short-form for things, goods, services and conditions that exist in the public domain. The meaning of the term 'good' in these cases parallels that of the term 'good' in private goods.

In fact, preferences for public goods may vary, just as do those for private goods. Given that we are living in a world of wide differences and disparities, GPGs meet with especially large variance in preferences and, therefore, they are often highly contentious.

And, just like private goods, public goods cannot be wished for: They must be produced. In fact, many GPGs follow a quite complex multi-actor, multi-sector and multi-level provisioning process.

(See, again, Annex **box 2**)

As noted earlier, many public goods are also public in provision: In order to be adequately provided they require collective action. In the case of GPGs, effective – and to that end, fair – international cooperation is required. This international cooperation often comprises concerted policy interventions at national or regional levels, but can also take the form of collective international-level action, e.g. in the form of agreed-upon action programs. In many cases, though, national-level contributions from state and nonstate actors constitute the bulk of the required interventions.

In fact, it is mainly this publicness – and especially the global-publicness – in provision that causes the policy interdependence we are experiencing in more and more policy areas. As long as we think that it would neither be a desirable nor a feasible policy path to revert to strictly 'closed borders', policy interdependence among states is the 'new normal'. The hope is that it will be accompanied by faster knowledge generation, technological advancements and accelerated change for the better.

But, who today promotes the 'coming together' of GPGs? Who watches out for signs of under- or mal-provisioning? Who fosters product development? Who are the GPG CEOs, managing the provision processes? I am afraid the answer is 'no one' really.

And who ensures the promotion of synergies and the avoidance of conflicts between all of the GPGs that we deposit in the global public domain, e.g. for coherence between the TRIPS regime and agreed-upon global health goals? Again: No one really.

Moreover, considering the summation-type policy path that many GPGs follow, it is also obvious that subsidiarity considerations are important for efficiency, equity and effectiveness reasons. This includes horizontal subsidiarity (public-private partnering) and vertical subsidiarity (i.e. leaving matters to be tackled by the level of governance at which they can most fittingly be addressed).

At this point, it is important to take a closer look at the role of state actors in GPG provisioning, both on its political (negotiating and decision-making) side and on its operational (policy implementation) side.

In the presence of transnational (regional and global) public goods, states behave, in many ways, just as private actors do in the presence of local or national public goods. The publicness of the goods tempts them into free-riding: letting others step forward to provide the good and then, when it is available, enjoying it free of charge, i.e. without having contributed. Thus, in many ways they are not the state/government that we know at the national level. They pursue particularistic, national interests that may or may not overlap with global concerns.

This means that transnational GPGs face the risk of dual actor failure: the failure to ensure their adequate provisioning by both market *and* state actors.

4: Identifying the governance requirements

Annex **figure** 2 presents the foregoing discussion in summary form, showing how each of the key properties of GPG-type challenges interacts with key aspects of today's policymaking realities, generating six main governance-readiness (GR) requirements. Together with Annex **table 1**, figure 2 suggests that governance systems that are fit – i.e. efficiently adjusted and 'ready' – to address GPG-type challenges under current policymaking realities need to meet the following basic requirements:

1- Averting the risk of dual actor – market and state – failure;
2- Promoting fairness in international cooperation;
3- Encouraging vertical and horizontal subsidiarity;
4- Facilitating integrated global-issue management;
5- Fostering a sustainability-oriented global public domain;
6- Recognizing the 'new normal', i.e. that we are living in a world of deepening interdependence.

Of course, each GPG will additionally pose specific governance requirements. But the discussion of these requires detailed, issue-specific analyses and is beyond the scope of this paper.

The question that interests us next is: Do our governance systems meet these basic requirements?

II   Assessing governance readiness

I am quite certain that you will already be thinking of several fitting examples for each of these six governance requirements – examples from New Zealand, the Asia region and other parts of the world, including international-level actions by various state and nonstate actors.

Indeed, one could mention myriad empirical facts and figures signaling either that a relevant restructuring of the governance systems has already occurred or that it is still lacking. But what is the overall picture emerging from the whole body of facts and figures? In the *Governance Report 2013* of the Hertie School of Governance (HSoG) we tried to answer this question. From the background research undertaken for this report and subsequent studies, three main findings emerge:

1:   Relevant response initiatives can be spotted at national and regional levels, as well as in markets

The governance of global challenges is, in large measure, a vertically and horizontally decentralized process, following the lines suggested by **GR3**. Clear national and/or private co-benefits drive this trend. For example, increased use of clean energy improves local air quality which, in turn, may lower disease burdens and reduce health costs. Also, new business, growth and job opportunities may be perceived from clean energy initiatives, and countries and firms may be concerned about staying competitive and securing new market shares.

Three policy lessons can be taken away from this finding:

(i)   If change is incentive-compatible it does happen.

(ii)   Some of the positive GPG contributions that are provided in this decentralized, and often voluntary, fashion may be motivated by competition rather than cooperation. Therefore, although they are important – sometimes even indispensable – and ought to be welcomed and encouraged, it is important to recognize that due to their underpinning rationale these initiatives are likely to remain within individual or

national/regional interest limits. The underpinning competition strategies could even undermine agents' willingness to cooperate in a more concerted and collective manner.

(iii) Nonetheless, if properly balanced with sustainable cooperation, even competition could be a positive force within global public policy. Accordingly, it is important to expand our perception and conceptualization of international cooperation. It is important to recognize that international cooperation can – and must – happen at all levels and in all segments of policymaking: in national and international-level state-centered venues, e.g. in the form of devising policy measures that take the rest of the world and the global normative framework into account; and in private and civil-sector bodies, e.g. by designing private goods make important contributions to (global) public concerns like 'green building materials' – contributing to climate change mitigation – or 'affordable medicines'— contributing to global poverty reduction.

2: Reforms are isolated and slow in moving from the realm of 'piloting' into the policy mainstream – are accompanied by counter-currents

The relatively slow and hesitant progress in many global-issue areas may be grounded in the fact that progress with respect to fostering global fairness (**GR2**) has also been slow. Just think of the not-yet-implemented IMF quota reform decided in 2010. Taking this fact into account, the decentralized approach noted previously in point 1 can perhaps be interpreted as a measure taken by states in order to shield themselves against external interference and having to implement global decisions in which they did not have an effective say.

In respect to **GR2**, it is important not only to assess progress, however slow it may be, but also to note the ongoing countervailing forces such as the growing trend towards global decision-making in 'clubs' like the G20 or the multiplying calls to form 'coalitions of the willing', be it in the field of peace and security or climate change mitigation. Like the competition-driven forces of change mentioned before in point 1, the effects of these 'clubs' can, under certain conditions, be positive and ought to be welcomed. But, if they imply a retreat from multilateralism and genuine collective action where the latter is desirable or necessary, they may be counterproductive and obstruct rather than facilitate the resolution of global challenges. The devil is in the details. There is no one-size solution, no silver bullet. Just consider who can form clubs of the willing. Clearly, it requires political and economic power. So, such clubs risk a continuance of power politics where soft power and strategies of

consultation, moving together and mutuality of benefit would be more fitting and, in the longer-run, more effective and enduring.

The evident lack of progress on global fairness, together with the noted club formations, could also be contributing to difficulties in meeting Governance Requirements 4 and 5 (**GR4** and **GR5**). This would explain why, for example, the foreign/domestic divide remains so wide and pronounced and why there seems to exist – among policymakers as well as scholars – little awareness of the existence of the global policy spaces: the global-issue systems and the global public domain.

3: Awareness of the existence of global systems and the policy spaces that surround them is still rudimentary

While many people today are spending more and more time in the 'virtual worlds' of the Internet and save their data on the 'cloud', it seems that many policymakers and the general public still find it hard to envision the complex systems of global policy issues and the interconnections between them. As a result, the management of global policy spaces – i.e. global-issue management (**GR4**) and surveillance of the global public domain (**GR5**) – remains weak.

In this context, we need to ask what our enlightened self-interest is. How can we maintain balance between growth today and growth tomorrow? Between what the biosphere wants and what we want? How can we know when to compete and when to cooperate? Or, how to combine economic, environmental and social concerns, nationally, regionally and globally?

Maybe, it is because we struggled so hard and for so long to establish the Westphalian state order that we are thinking of globalization as being mainly about cross-national-border activity or universalization, i.e. bringing all states into a particular process such as the promotion of human rights.

Certainly, the existence of global systems, global imbalances and global systemic risks is an issue area that is quite familiar and of high concern to experts in various natural science disciplines. Think again, for example, of the IPCC reports. Also, concepts like 'planetary boundaries' and the 'anthropocene' are finding traction and filtering into the broader political debates. But, again and again, the practical policy response tends to be a fractured, essentially national or market-driven one. The continuously low levels of official development assistance and climate financing bear testimony to that. States tend to shy away from requisite international-level collective action, even in issue areas such as those of the high seas or the

atmosphere, which have been recognized as global commons and forming part of the common heritage of humankind. (See again Annex box 3)

There are, of course, exceptions. The role of the IMF is one of them. In fact, financial externality management was an important issue at the most recent 2014 Spring Meeting of the IMF and the World Bank.

These exceptions notwithstanding, we are still far away from a full recognition of the 'new normal' (**GR6**): the acceptance of interdependence and the recognition that international cooperation pays, whether it is being undertaken nationally and privately in a concerted, cooperative manner or through joint, collective action at international levels.

The reason for that – and hence a major reason for our current 'unreadiness' to meet global challenges – lies in a condition that I have termed the 'sovereignty paradox': States, and especially their governments, are holding on to a strict notion of sovereignty that makes them shy away from international cooperation. Yet, in policy fields marked by interdependence, such behavior results in the non-desired result, namely a loss of sovereignty. This occurs because states' failure to cooperate leaves global challenges unresolved, allowing them to turn into crises. Countries are then compelled to deal with the consequences of those crises rather than enjoying the freedom to establish their own policy priorities. (See also Annex **box 4**)

The existence of the sovereignty paradox tells us that progress in respect to **GR1** is also still insufficient. True, governments have improved their efforts aimed at monitoring each other's follow through to agreed-upon policies and frameworks, and national constituencies, too, now demand more accountability and transparency from governments and each other. For example, there exist about 200 composite indices that measure all kinds of aspects of state and government behavior.

However, we again see contradictory policy expectations. Some lend support to a restructuring of public policy, including the taking of more decisive action to ensure an adequate provisioning of sustainability-oriented GPGs. Others favor limiting state intervention to the facilitation of global-market efficiency.

In sum, change in the direction of more effective governance of global challenges is uneven and spotty. We live in a world characterized by a fundamental tension between 'nationalness' and 'globalness'; and it is this tension that, in its wake, gives rise to a number of other, interrelated global imbalances, as shown in Annex **figure** 3, including tensions between:

- ➢ Markets and states
- ➢ Short-term and longer-term considerations
- ➢ Zero-sum and positive-sum strategies
- ➢ Income or growth expansion and sustainability concerns.

While graphs like those shown in Annex **figure** 4 depict the global impact of our current policies and economic activity on various global systems and the planet as a whole, Annex figure 3 points to the imbalances in our policies and economic behavior that contribute to these impacts: It highlights the governance dimension and tells us that major re-balancing acts are required.

So, what could we do to shift gears and enter a more balanced policy path?

This is the question to which we will now turn, in point III.

III   Moving towards more balanced, inclusive and sustainable growth and development

In light of the foregoing findings, I will suggest four reform steps that I consider to be eminently do-able, because it seems that reality itself is already moving in these directions. Certainly, one should not underestimate the countervailing forces. But, it seems even the 'incumbents', those who see themselves as benefitting from the current state of play, are beginning to realize that change can be delayed but not altogether avoided; and that delayed change may be more costly – for all. I believe we are at – or close to – a turning point, getting ready to step from the 'classic' Westphalian state era into a more modern era. One could perhaps call it: Westphalia 2.0.

I would like to propose a 'package' of four interlinked reform measures on which I would very much welcome your comments: (1) forging consensus on a notion of 'smart', mutually respectful sovereignty; (2) creating, within the United Nations (UN), an independent Global Stewardship Council; (3) strengthening global-issue focus; and, in order to help policymakers and us, the general public, see more clearly the 'new normal' and how to deal with it, (4) formulating a systematic theory of global public policy.

In more detail, the proposed reforms are as follows.

1:   Forging consensus on a notion of 'smart', mutually respectful sovereignty

A critical reform step would be to persuade policymakers and their constituencies to break out of the 'sovereignty paradox' policy trap.

This step deserves priority, because though governments today are often only one actor group among others involved in public policymaking, they still perform a critical role. They have unique legislative and enforcement powers, including the power to collect and allocate revenue. In other words, they have a key role in creating, individually and collectively, normative frameworks and incentivizing change.

Persuading them to break out of the sovereignty paradox will entail taking multiple steps.

First, it must be established that in certain policy areas, especially those involving interdependence challenges, it is rational and feasible for states to engage in effective – and to that end, fair – international cooperation. This could be done, for example, by complementing studies on the economics of particular global issues, such as the Stern Review on the economics of climate change or the recent, Fifth Assessment Report (AR5) of the IPCC's Working Group III, with more disaggregated country-, community- and firm-specific analyses of the costs, benefits and resultant net-benefits to be derived from taking timely and effective corrective action.

But, in preparing such analyses, one ought to remember that effective corrective action might entail effective international cooperation; and effective international cooperation must be fair and mutually beneficial. In other words, fairness must be 'priced in'.

Also, it must be demonstrated that positive-sum strategies will, in many cases, including in the climate and energy fields, be less costly than zero-sum strategies such as responding to problems of natural-resource scarcity by 'land grabbing' or military control of seaways.

Second, based on such evidence, it would be useful to forge consensus on a notion of mutually respectful sovereignty. This notion of sovereignty would combine the pursuit of national interests with respect for the sovereignty of other states. Accordingly, it would be based on states' commitment to accept responsibility for the management of cross-border spillovers that could either affect other nations directly or indirectly, i.e. via their impact on particular GPGs, including the natural and human-made global commons. In order to meet with political support, such a commitment would, as and if appropriate, be based on the principle of common but differentiated responsibility.

As also argued in Annex **box 5**, the notion of mutually respectful sovereignty would constitute a collective approach to safeguarding national policymaking sovereignty and, as such, parallel the collective approach to the security of national borders that is already enshrined in the UN Charter. In fact, such a conceptualization of sovereignty would conform to the UN Charter and its principle of non-interference to a greater degree than the current lax attitudes towards externality management that leave considerable room for 'beggar-thy-neighbor' policies and free-riding.

Furthermore, the stressing of national responsibility for the management of cross-border spillovers and thus, by implication, a responsible, sustainability-oriented domestic exercise of policymaking sovereignty would also be in line with states' evident preference for subsidiarity, a preference which might become even stronger in the future, as more and more countries climb up the development ladder.

If such a notion of mutually respectful sovereignty were to find traction, and states could feel confident that all would – in most cases, most of the time – abide by this norm, they would witness a strengthening of their sovereignty.

Thus, this approach to public policymaking would be smart, because: it is likely to facilitate effective international agreements; maintain national and regional policy space; and make states and governments appear more effective – possibly even restoring the trust and confidence of electorates in politicians and public policymaking that appears to have weakened in recent times.

So: Who might step forward? Who is willing to take the lead in introducing, for example, a draft resolution on this issue in the UN?

Of course, there is a 'but': More progress on GR 2 – i.e. justice and fairness in international negotiations – would be important and, as a corollary, we would need to see less movement away from, and, instead, a return towards, multilateralism.

2: Creating an independent Global Stewardship Council within the United Nations

As important as the first reform measure would be the creation of a Global Stewardship Council. (See also Annex **box 6**)

This council could take the form of a standing body of eminent personalities, wise men and women appointed in their individual capacity and mandated to support the international community in creating and maintaining a global public domain that serves all people and

countries in furthering their welfare and well-being, while ensuring mutually respectful sovereignty and the carrying-capacity of the globe.

The role of the Council would be to scan global trends in order to see whether the world is 'in balance', ensure that the issues which require attention are getting resolved and verify that emerging concerns are moving onto the appropriate policy agendas.

Considering that various global risks are beginning to cluster and that in a number of issue areas, including climate change, we are rapidly approaching critical limits while concurrently undermining communities' capacity to withstand disasters, the creation of a Global Stewardship Council is urgent.

By establishing such a council of independent, eminent personalities, the UN Member States, as well as the public at large, would recognise that in addition to national jurisdictions there also exist global policy spaces – spaces (and resources) *outside of*, *overlaying*, and *interwoven with* national jurisdictions. Given the existence of these spaces, it would be appropriate for the Global Stewardship Council not to be 'merely' yet another intergovernmental body, like a G20-type forum. Rather, when acting as global stewards or trustees, its members should free themselves from private and national interests and be guided solely by what is good for the global public – all people, countries, regions, global-issue systems (whether natural or human-made), and the Earth as a whole.

By establishing the council as a standing body, with staggered rotating membership, its reports and advice would perhaps stand a better chance of attracting attention and follow-up than the reports of the temporary high-level commissions appointed by the UN Secretary-General or the UN General Assembly in the past. Yet, though the impact of these commissions may have been limited, they were important precursors: They have revealed that additional, independent advice is needed and might facilitate and improve the awareness of global-publicness in intergovernmental decision-making.

As Barbara Ward and René Dubois reminded us already in their report entitled *Only One Earth* , published the early 1970s, at the time of the Stockholm Conference, it will be very un-smart, even 'foolish', as Ward and Dubois say, to go on ignoring global interdependence, because 'globalness' today is increasingly no longer merely a vision but a reality.

But, again: Who will take the lead and initiate the next step, e.g. sponsor a draft UN resolution requesting the setting-up of a temporary commission to explore in-depth the desirability and feasibility of this or a similar proposal and advise the UN General Assembly thereon?

Could perhaps a pilot be initiated? It could take the form of a Global Stewardship Council mandated to support the international community in staying on track during the implementation of the Post-2015 Agenda.

3.   Strengthening global-issue management

Governance systems today are mainly organized along economic-sector lines and geographic lines. Yet, GPG-type issues tend to require multi-sector and multi-level interventions by multiple actor groups. As a result, global challenges do not fit easily into the current organizational structures.

This also holds for the UN system agencies. Certainly, they address global challenges. However, being intergovernmental entities, they tend to look at these challenges from the viewpoint of their Member States, reporting how country '1' to country '193' is being affected by a particular global challenge or what it has done or plans to do in order to help tackle it. In other words, the existing intergovernmental organizations are mainly universal state-membership organizations, not global-issue managers.

A genuinely global systemic perspective is still rare. Some of the governing bodies and secretariats of the conventions and treaties on the global-commons come closer to being a global-issue manager, including those that deal with plant genetic resources, the seabed or the geostationary orbit and electromagnetic spectrum. While some of these entities – e.g. the International Seabed Authority – have their own legal identity, others such as the Radiocommunication Bureau of the International Telecommunication Union (ITU) exist within a larger organization (which may be warranted for reasons of economies of scope), yet as clearly identifiable and issue-focused entities.

Mention can, in this context, also be again made of the IMF's work on spillovers, which recently received significant attention; another example are the *Emissions Gap Reports* prepared by the UN Environment Programme (UNEP). However, reports such as the WEF's *Global Risks Reports* have not yet emerged from the UN system.

Nevertheless, it would be desirable to start strengthening genuine global-issue management throughout the UN system agencies by requesting that they establish, within their organization, a strong global-issue unit, headed by a global-issue 'CEO'. Thus, for example, the WHO could reinforce what it has already begun by dealing, in addition to health-sector-issues at national and regional levels, with the provision path – and the related global-issue

policy space – of particular diseases and their control. Such an approach is needed because in an open, interdependent world it is the policy outcome that counts, e.g. whether or not a disease is brought under control or, where feasible, eradicated.

By establishing global-issue units at the international/regional level an incentive would be created for national governments to develop corresponding units and make the nomination of global-issue ambassadors part of the 'new normal' rather than a rare exception

To the extent that this occurs, a progressive bridging of the foreign-domestic divide would be achieved.

4.   Developing a theory of global public policy

The present organization of the social sciences mirrors the conventional set-up of the governance systems. It, too, is marked by a foreign/domestic divide, with 'international relations' on one side and national public economics, finance, or political science on the other.

In order for social science research to facilitate enhanced governance readiness it would be important to develop a new social science discipline: global public policy. Many useful insights could, no doubt, be distilled from the vast literature that has emerged in most global-issue areas. Yet, much additional research will also be needed. To mention just one of the key outstanding research questions: How does state behaviour differ between the national and international levels? At present we have a theory of market failure but very little research on, and understanding of, the behaviour of states in the presence of GPGs in general and specific types of GPGs – like the commons – in particular. Or, as another example, what constitutes, in the case of GPGs, 'efficient provision'?

In order to get the incentives and willingness to cooperate 'right', it would also be important to systematically clarify the differences and the synergy between international cooperation in support of GPG-type challenges (which is often motivated either by national interests or one's own global identities such as 'being an environmentalist') and international cooperation in support of other countries' and other people's development (which is often said to be motivated by ethical or moral reasons, although, de facto, it, too, also serves the donor countries' national geopolitical or commercial interests). Annex **table 2** presents an overview of the main differences and synergy between these two strands of international cooperation.

When thinking about global public policy, lengthy and rich research agendas open up. They, too, need to be addressed urgently so that we will be spared the embarrassment that many

economists felt in 2008, when the global financial crisis erupted. Paul Krugman and others then asked: How could we get it so wrong?

In order for us not again to have to raise the same question soon, let us get "it" right – now – and conclude on the following note.

Conclusion

As I hope I was able to show, the inefficient adjustment of our governance systems to today's global policymaking realities impedes progress towards more sustainable growth and development.

Yet, do-able reform steps are not difficult to envision. Hence, if there were a will to reform, there would be ways.

The positive news is that precursors of the suggested reforms exist. Evidently, ideas as those set forth here are beginning to be in the air or, perhaps better, to take roots and sprout.

But, as noted, strong countervailing forces like the return to 'power politics' and 'demonstration of military might' exist and need to be reckoned with.

But, we can take comfort from the insight of two insight- and foresight-full scholars: Peggy and Richard Musgrave. In introducing their book on public finance in 1989 they stated that public finance has never stood still. And, I believe, the same applies to governance and public policymaking more broadly. They, too, have never stood still and are not likely to do so either in the future – for too long. The trend towards multi-polarity and more open, participatory, de-concentrated global governance are, in my view, likely to continue and, in the process, lead to an enhanced national/global balance.

My optimism is based on the fact that the outlined reform steps will generate significant returns for governments: They will (re)strengthen the policymaking capacity of states. Thus, these reforms have besides the general public another powerful constituency: policymakers themselves. And as we need states for an issue like the policy shift from the 'classical' Westphalian order to 'Westphalia 2.0', we, the general public, should perhaps do more pro-actively our part: nudge – encourage and lead – policymakers to move in this direction.

Thanks you for your attention; and thanks in advance for any comments and questions you might have.

Global Public Goods, Commons and Governance: The Current State of Play

Annex Boxes, Figures and Tables

Box 1:   Introducing public goods and global public goods: A consumption-side perspective

Standard economic theory distinguishes between two main categories of goods: private goods and public goods.

Private goods are goods that can be parcelled out and made excludable, so that clear property rights can be attached to them.
Public goods, by contrast, are goods that are non-excludable, meaning that the goods' effects (benefits or costs) are shared by everyone.

If a good is non-excludable and non-rival in consumption so that one person's use of the good or one person's being affected by it does not diminish its availability to others, the good is said to be *purely public*. Examples are peace and security.

If a good has only one of these characteristics, it is *impure- public*. The atmosphere, for example, is non-excludable but rival in consumption, because unrestricted pollution can change its gas composition and contribute to global warming. In fact, many of the natural commons fall into the category of impure public goods.
In contrast, patented pharmaceutical knowledge illustrates a non-rival impure-public good, whose use has, at least for a limited period of time, been made excludable.

The public effects of a good can be of different geographic – local, national, regional or worldwide – reach; and they can span across one generation or several generations.

Global public goods are goods, whose benefits or costs are of global, planetary reach, potentially affecting all or anyone anywhere. Together with *regional public goods* they constitute the category of *transnational public goods*.

It is important to emphasise that, in the present context, the term 'good' has *no value connotation*. It is used as a short form for the goods or products as well as services and conditions that exist in the public domain.
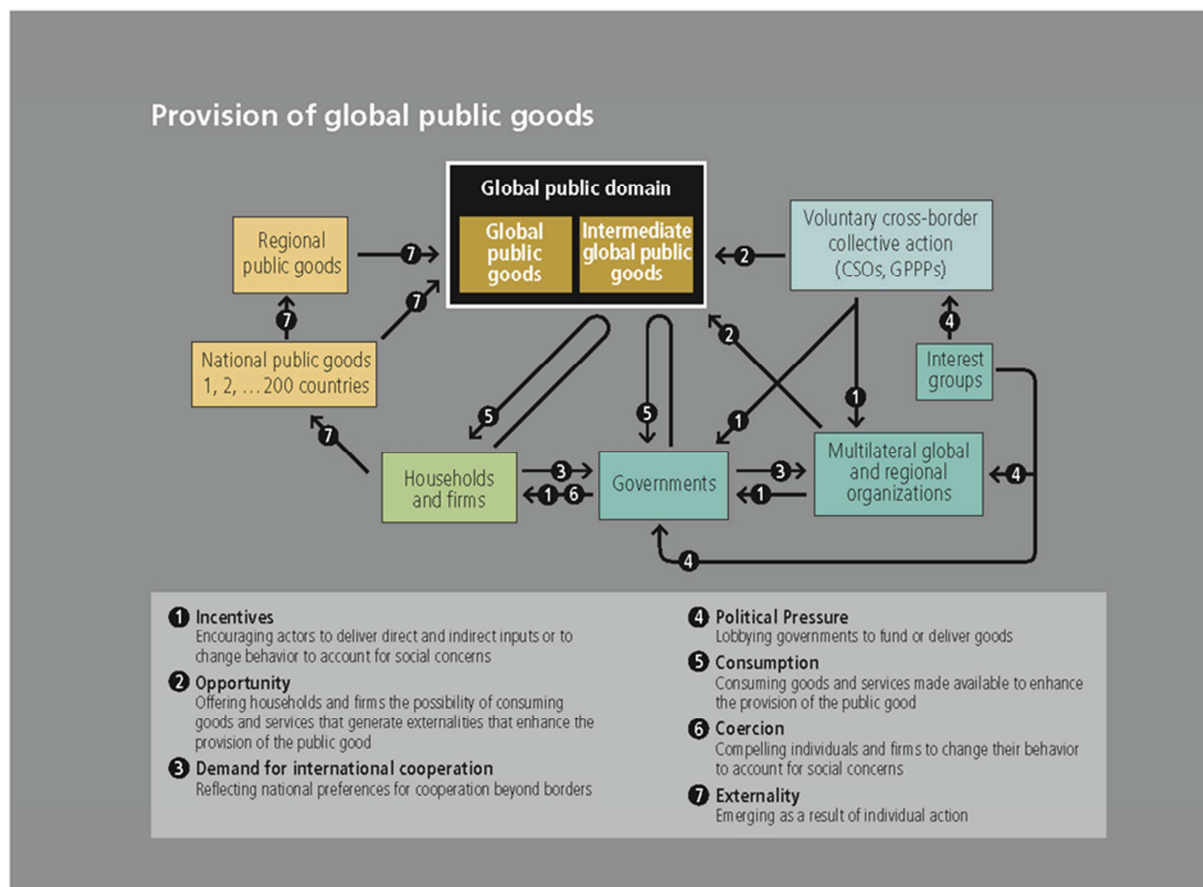
Source: This box draws on Kaul et al. (2003). The interested reader may also wish to consult Barrett (2007) and Sandler (2004).

Box 2: Introducing public goods and global public goods: A provision-side perspective

In many cases, publicness and privateness are not innate properties of a good but the result of *social or political choice*. Therefore, it is important to distinguish between the potential and de facto publicness of a good. For example, land can be freely accessible to everyone; or it can be fenced in, be made excludable.

Globalness, too, is a special form of publicness; and in most cases, it, too, results from a policy choice, e.g. a decision to promote free trade or financial liberalisation. Thus, while some global public goods are naturally global and public, such as sunlight, many others are human-made, including the international communication and transportation systems or the goods of communicable disease control, financial stability or peace and security. However, in order to avoid their overutilization even natural global public goods like the global commons may require, for their adequate provisioning, both deliberate policy choices and decision-making and operational follow-up to the agreements reached, possibly by many, even all countries, by all actor groups and stakeholders, at all levels of state intervention and in markets.

Accordingly, the provision of public goods entails a *political process* and a *production process*. While some goods may be produced by a single agent or group of agents, most public goods, including global public goods follow a complex multi-actor, multi-level process, a so-called summation process of the type depicted below.

Provision of global public goods

Global public domain
Global public goods | Intermediate global public goods

Regional public goods
National public goods 1, 2, …200 countries
Voluntary cross-border collective action (CSOs, GPPPs)
Interest groups
Households and firms
Governments
Multilateral global and regional organizations

① Incentives — Encouraging actors to deliver direct and indirect inputs or to change behavior to account for social concerns
② Opportunity — Offering households and firms the possibility of consuming goods and services that generate externalities that enhance the provision of the public good
③ Demand for international cooperation — Reflecting national preferences for cooperation beyond borders
④ Political Pressure — Lobbying governments to fund or deliver goods
⑤ Consumption — Consuming goods and services made available to enhance the provision of the public good
⑥ Coercion — Compelling individuals and firms to change their behavior to account for social concerns
⑦ Externality — Emerging as a result of individual action

Source: Adapted from Kaul and Conceição (2006, p. 14)

Box 3:   Global commons and common heritage of humankind

Conventionally, the concept of 'global commons' refers to natural assets outside of national jurisdictions such as the high seas, the atmosphere, outer-space and Antarctica.

These global natural commons possess the characteristics of an impure global public good: They are rival in consumption yet difficult to be made excludable. As such, without proper management of their use, some of them – like the electro-magnetic spectrum – could become congested, while others might become degraded. Thus, as their local, national and regional counterparts, these open-access assets, too, tend to be subject to over-utilization and, gradually, lose their utility, a problem that Hardin (1968) called the "tragedy of the commons".

In international agreements, the natural global commons are also being referred to as forming part of the common heritage of humankind, including, for example, in the 1979 *Agreement Governing the Activities of States on the Moon and Other Celestial Bodies* and the 1982 *United Nations Convention on the Law of the Sea*. The main stipulations of these treaties are that: (1) no nation or individual can appropriate the recognized global commons; and (2) their use ought to be guided by sustainability considerations for the benefit of all humankind, current and future generations. In other words, the main goal of these treaties on the natural global commons is to regulate the access to, and use being made of, them in order to protect their long-run availability as goods that are global-public in consumption and utility.

But, the concept of common heritage is also being applied to the second type of impure global public goods, viz. goods that are non-rival in consumption and to be made excludable. In their case the goal of international interventions has been to strike a better balance between nationalness/privateness and global-publicness.
For example, the 1972 UNESCO *World Heritage Convention* employs the concept in respect to cultural and natural sites that are situated within a national jurisdiction and recognized, upon the request of the concerned state, as sites of outstanding value to humanity. In this case, an essentially national asset is being turned into a more global-public, better-known, better-preserved and, thus, more globally accessible good.

Similar efforts are also underway in respect to the conservation of biological diversity and the utilization of genetic resources, as well as scientific knowledge and technologies deemed to be of special importance to humankind, such as the human genome. In the case of biological diversity, whose elements are also often situated within a national jurisdiction, the international community has created a new global public good: the Multilateral System, a network of the world's gene banks that are in the public domain and under the control of the Contracting Parties of the 2001 *International Treaty on Plant Genetic Resources for Food and Agriculture.* The purpose of the Multilateral System is to facilitate for farmers, plant breeders and scientists access to plant genetic materials and ensure equal benefit sharing between the users and providers of these materials.

As knowledge and technology are being produced by individual persons or institutions they can be withheld from others, at least in the short and medium-

term. So, in this case, too, the policy or governance challenge is to foster more open access to the good in question, where this would enhance the balance between global dynamic efficiency, on the one hand, and global static efficiency and equity, on the other hand. Various initiatives are underway that aim at achieving a widening of the access to critical knowledge and technology goods, including such measures as differential patenting or the creation of patent pools.

Yet, many global-commons and common-heritage issues remain controversial. Thus, we see again what holds for global public goods more generally, viz. that publicness and privateness are a matter of policy choice and preferences may – and, in many instances, do – vary across countries and population groups. 'Global commons' and 'common heritage of humankind' are social constructs that different parts of the international community may or may not want to assign to a particular good for private, national or regional reasons – although well-managed open access and use of the good could make all better off, notably in the longer-run.

Where the commons approach fails, a key obstacle may be that the condition of adequate GPG provisioning – the squaring of the '4 Ps' – has not yet been fully met and mismatches exist between the good's publicness in consumption, publicness decision-making, publicness in provisioning and publicness in utility.

Source: This box draws on Kaul et al. (2006), Mendez (1992), Ossorio (2007), Taylor (2011, 2013).

Box 4:   The sovereignty paradox

The way in which policymakers, scholars, journalists and the public at large now speak about international cooperation shows that it is often perceived as running counter to the core principle on which the present world order rests: non-interference by external forces into states' internal affairs, or, put differently, into their national policy-making sovereignty.

At first sight, international cooperation appears to imply just that. It requires the recognition of common interests and a bridging of the foreign/domestic divide. This suggests a blending of national and external policy concerns. To achieve that, the state needs to act – at least in fields of policy interdependence among countries – as an intermediary between national and global concerns. In many instances, states are already playing this role. Yet, they often do so reluctantly, because many perceive it – for understandable reasons – as entailing a loss or transfer of national policy-making sovereignty to international organizations and other globally engaged actors. After all, international cooperation has so far been, and in large measure still is, a 'power play'.

So, national-level policymakers frequently shy away from international cooperation even where it would constitute the better approach to meeting national interests. The reasoning underlying this 'better approach' claim is that countries inherently lose policymaking space and options when, due to a lack of international cooperation on key challenges, they come under attack from forces such as financial crises, catastrophic storms or floods, terrorist actions, or new and resurgent communicable diseases that hold no respect for national borders.

In these cases, reluctance to engage in multilateral cooperation leads to a condition that can be termed the 'sovereignty paradox': the harder governments hold on to a conventional, absolute notion of sovereignty in policy fields of interdependence, the more they fail in meeting global challenges, and with each failure they undermine, bit-by-bit, their policymaking capacity.

Source: This box draws on Kaul (2013) and Kaul and Blondin (forthcoming).

Box 5:   'Smart', mutually respectful sovereignty – A collective approach to safeguarding national policymaking capacity

International cooperation is often seen as undermining states' policymaking sovereignty. No doubt, it often does; and therefore, governments frequently shy away from a global, concerted policy response, even in issue areas that involve transnational challenges which no single nation can effectively and efficiently address alone. In the absence of a cooperative approach, global challenges will linger unresolved, potentially making all parties worse off.

Thus, when confronting challenges that entail policy interdependence, it is in the enlightened self-interest of all concerned states to offer fair and mutually beneficial cooperation. This requires mutual confidence and trust. Accordingly, there must be a shared commitment among states to act responsibly, both toward their own territories and constituencies – protecting against negative spill-ins from abroad – and toward other states, because non-cooperation could undermine welfare and well-being for all.

In other words, exercising sovereignty in a 'smart', efficient and effective way means pursuing national interests in a way that is fully respectful of the sovereignty of other nations and the integrity of the Earth's ecological systems and, to that end, oriented toward the maintenance of global balances.

Just as states' commitment to the norm of collective security strengthens the inviolability of national territorial borders, a commitment to exercising their policymaking sovereignty in a mutually respectful manner could, in areas of policy interdependence, be the best way to secure their national policymaking capacity.

Source: This box draws on Kaul (2013).

Box 6:   Why create an independent Global Stewardship Council within the United Nations?

According to Drache (2001), the term 'public domain' is defined as the ensemble of the things that we have or experience in common. These things can include tangible products like land or street signs, services like information made available for all, and conditions like peace and security, financial stability, or climate change.

The main things in the public domain are public goods. Thus, the reach of the public domain will vary, depending on the span of the goods' costs and benefits. If the goods are of a global-public-good (GPG)-type, the domain will be a global public domain.

As the provision status of public goods, including that of GPGs can change over time, the utility of the public domain in terms of supporting economic growth and human development can also vary. Goods may, inadvertently, be neglected or, especially in the case of impure, open-resource-type GPGs such as the natural global commons become overused, due to states' reneging on their international-treaty commitments. If well-stocked, the public domain can serve as an important facilitator of sustainable and inclusive growth and development. However, if composed of more and more seriously underprovided goods, it may pose risks and, as risks turn into actual disasters, it may become a major source of instability and vulnerability. Just think of the global climate-water-poverty-(in-)security nexus.
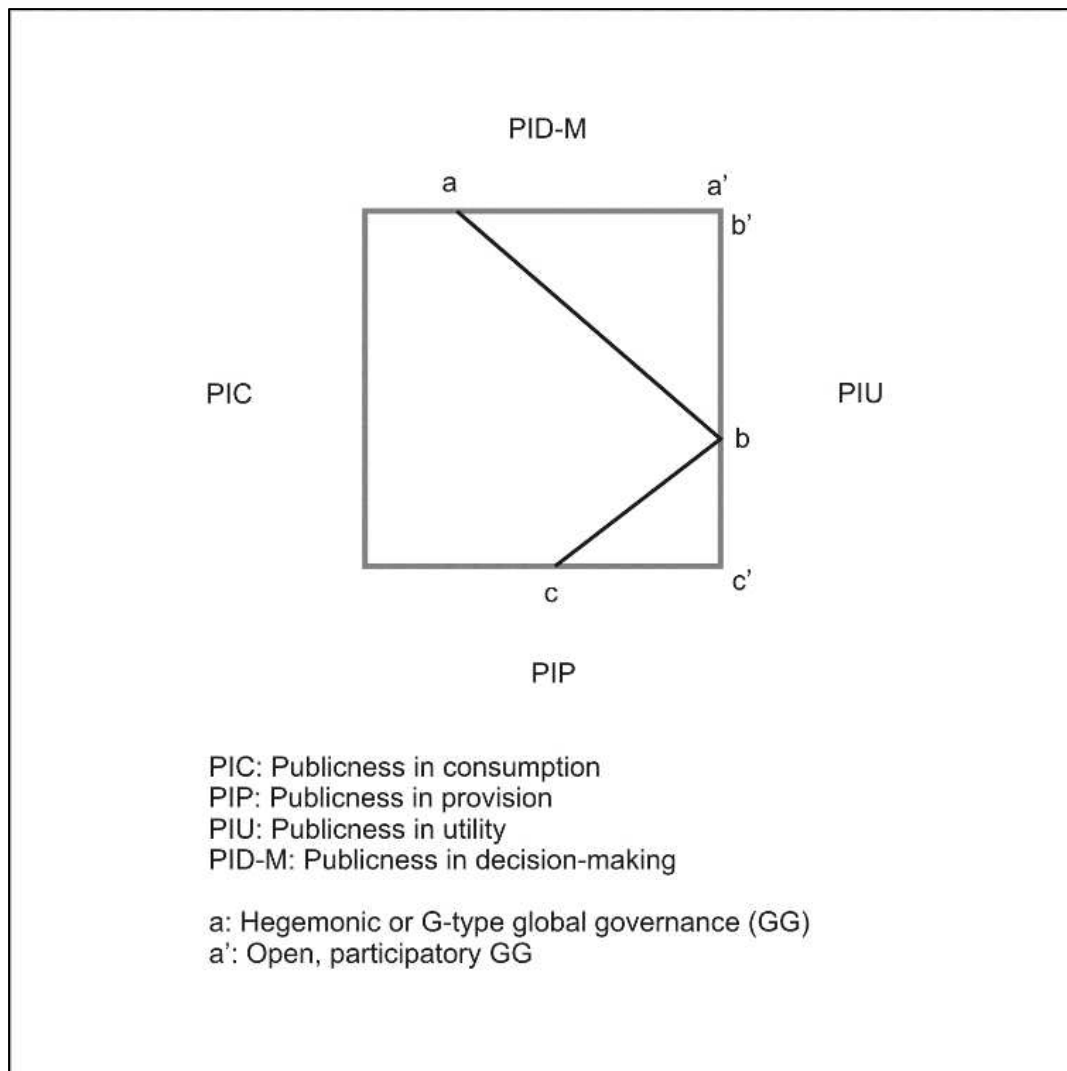
Throughout history, tension has existed between political forces striving, respectively, for and against making certain things more or less public or private. Today, there also exist such struggles about the structure and functioning of the national (including local), regional and global public domains; and this perhaps increasingly so, as in today's multi-actor world, the public domain has become less coterminous with the economic activity of the state in the public sector.

At all levels, the public domain, at present, appears to be a relatively 'orphaned' policy space. Yet, due to the challenge of dual- market and state – failure in the presence of GPGs, the global public domain currently seems to be one of the most neglected policy spaces. Although it concerns all, no one is today mandated to act as a trustee of the global public domain, alerting us, if gross imbalances arise between the public and the private, the national, regional, and global, or the short and the longer-term.

Establishing, as proposed in this paper, a UN Global Stewardship Council, composed of independent, eminent personalities, could fill this policymaking void. Such a council could be organized as a standing, permanent body within the UN and consist of a limited number of high-level, independent-minded and global sustainability-oriented personalities from all 'walks of life'. Their role would be to help restore, maintain and improve the major global balances.
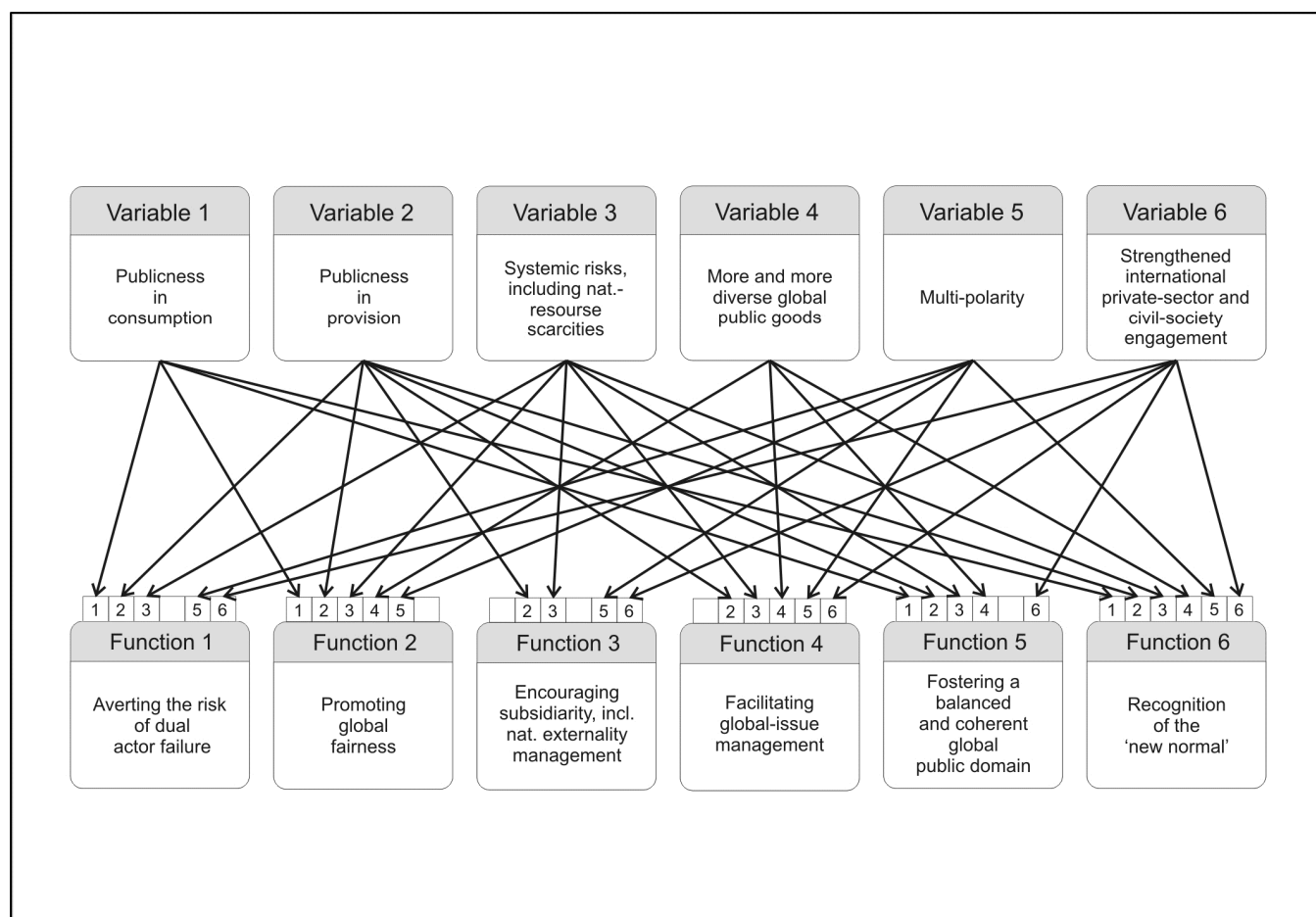
Source: Kaul (2013, 2014), drawing on Bosselmann (2008), De Brabandere et al. (2013), De Lombaerde et al. (2012), Drache (2001), Shah (2012), Stone (2008), Țuțuianu (2013) and Wolfrum (1983).

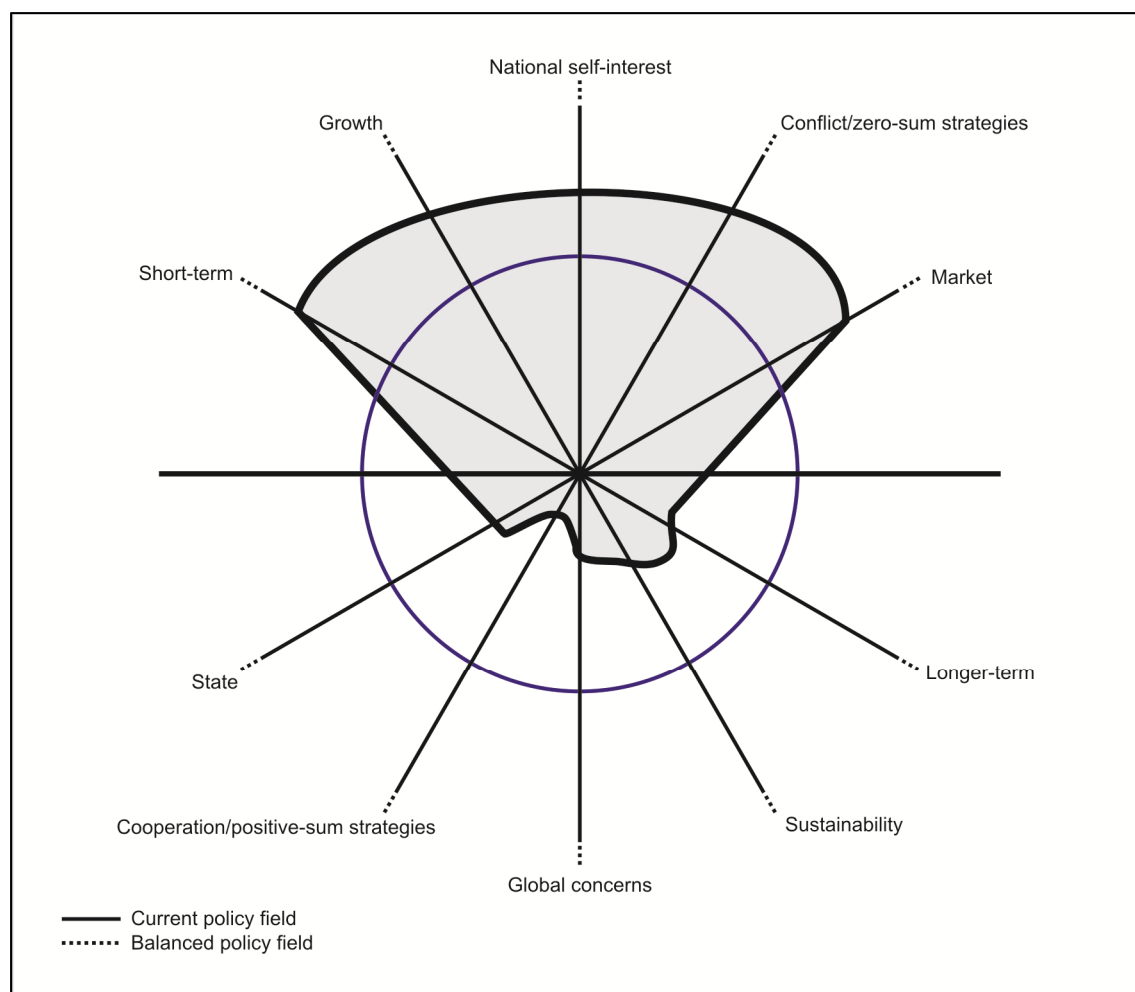**Figure 1:   Squaring the 4 ‚Ps'**

PID-M

PIC

PIU

PIP

PIC: Publicness in consumption
PIP: Publicness in provision
PIU: Publicness in utility
PID-M: Publicness in decision-making

a: Hegemonic or G-type global governance (GG)
a': Open, participatory GG

Source: Author

Figure 2: Assessing governance readiness – an analytical framework

Source. Drawing on Kaul and Blondin (forthcoming).
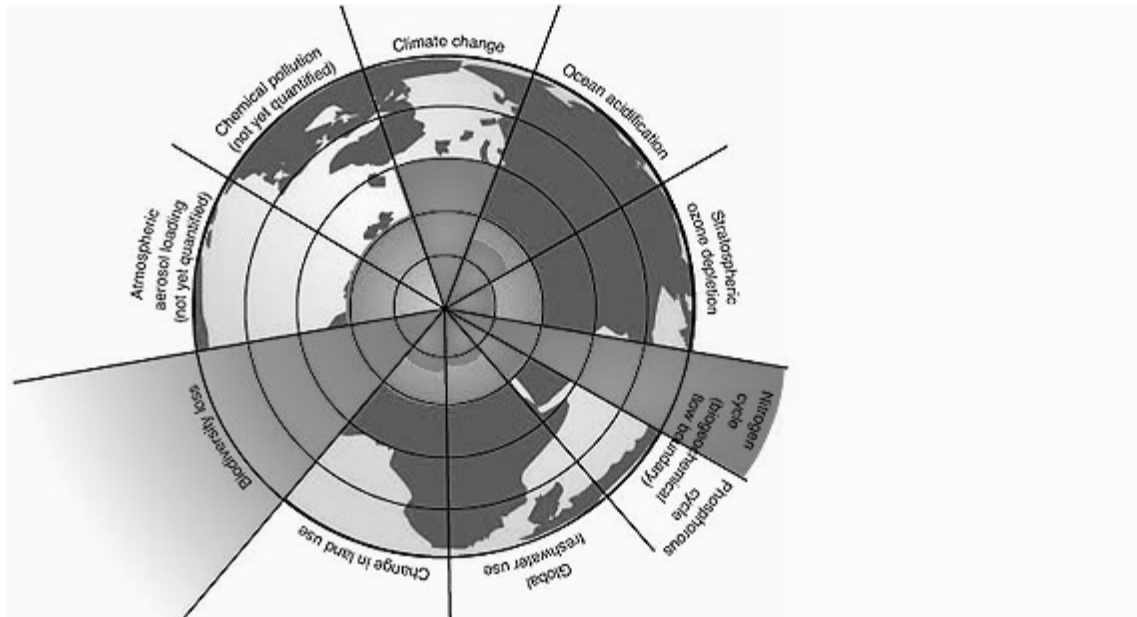
Figure 3:   Global (im)balances

Source: Author

Note: The figure shows, from a conceptual perspective, what the current balance between the various global governance dimensions might look like, e.g. the global balance between markets and states or that between policymaking for the short-term and the longer-term. The circle indicates 'full balance'. An interesting research question would be how to measure these balances and how a fuller balance in one or several dimensions would impact the other dimensions and the attainment of various policy outcomes.

Figure 4:   Planetary boundaries

Source: Rockström et al. (2009)

Table 1: **Meeting the governance requirements of global public good-type challenges: Examples of fitting policy responses**

Governance requirement	Fitting policy responses
1-Averting the risk of dual – market and state – failure	Added emphasis on measures like: ○ Transparency and accountability requirements established ○ Compliance monitoring, rating and ranking ○ Use of positive and negative incentives (e.g. financial compensation and sanctions) ○ Binding decisions ○ Measures aimed at promoting the rule of law and respect for human rights
2-Promoting global fairness in international cooperation	Added emphasis on measures like: ○ A better matching the circles of stakeholders and decision-makers ○ Agreements on fairness principles, e.g. states' common but differentiated responsibility for meeting global challenges ○ Positive-sum international bargains ○ Equity built into the design of global regimes
3- Encouraging vertical and horizontal subsidiarity	Added emphasis on measures like: ○ International agreement on national and regional responsibilities for meeting global challenges ○ Global incentive and support mechanisms to assist countries in contributing to global goals ○ National policy strategies that, directly or indirectly, echo global concerns ○ Enhanced national externality management ○ Measures that encourage public-private partnering

Governance requirement	Fitting policy responses
4-Facilitating integrated global-issue management	Added emphasis on measures like: o Single-issue mechanisms for the delivery of international cooperation o New mechanisms to facilitate more adequate project finance o Establishment of targets o Cost/benefit studies o Creation of 'global affairs' units in govt. institutions, nationally and internationally o Dual-track budgeting o Differentiation between ODA and GPG financing o Appointment of national issue-ambassadors o Special issue representatives of the UN Secretary-General
5-Fostering a sustainability-oriented global public domain	Added emphasis on measures like: o Studies on global-issue linkages o Assessment of the distribution of the benefits and costs across nations and population groups, including current and future generations o Global risk-assessments o Improved global-risk insurance and disaster management, including humanitarian assistance and resilience strengthening
6-Recognizing the 'new normal'	Awareness and acceptance of: o Policy interdependence o Increased risk-proneness of the global economy o More and more diverse global public goods o Multi-polarity in inter-state relations and the national-level advances in democracy, civil-society engagement and public-private partnering o The need for a fine-tuned global market/state balance

Source: This table draws on Kaul (2013)

Table 2: **International cooperation in support of GPG provision and international development cooperation: differences and synergy**

Dimension	International cooperation in support of GPG provision	International development cooperation
Main rationale	Self-interest/efficiency	Concern about ‚others'/ equity
Focus of the intervention/ cooperating parties	Global issue/ Interested demand-side parties and potential suppliers, whose interest in the issue may or may not overlap	Poor country and poor people/ Rich countries – when the issue at stake concerns issues like the pooling of required resources and Rich and poor countries, civ. society, private sector – in discussions on the utilization of the resources
Nature of the interaction	Agreement on policy-reforms to be undertaken in a decentralized or pooled way, trade in global-public-good inputs (e.g. purchase of certified CO_2 emission reductions)	Transfer of financial and non-financial resources at concessional rates, plus policy advice/conditionality
Main intended beneficiaries	Mainly one self and, depending on one's identities, the world's cultural heritage, oceans, birds or the Earth as a whole	Poor country/people
Effectiveness of the intervention depends, among other things, on	Development effectiveness, i.e. the capacity of all concerned states to cooperate in a result-oriented manner	An adequate and development-compatible, i.e. mutually beneficial provisioning of GPGs,

Source: Author

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