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UNINTENDED CONSEQUENCES OF PURPOSIVE ACTION AND THE PROVISION OF WELFARE

by

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Abstract

The paper argues that unintended consequence ought to be a central concept in planning theory. In particular unintended consequences for a target population of the provision of welfare goods are considered interesting. It is argued that two insufficiently recognized sources of difficulties for the provision of welfare lie, on the one hand, in consumer-consumer interactions and, on the other hand, in citizen-citizen interactions inherent in the process of providing welfare. To improve the performance of public policy measures, the planning of the various welfare goods must take into account how the substance of the process involved shapes these interactions producing unintended consequences.

In order to bring both unintended consequences and substance into planning theory it is necessary to find a way of classifying the substance as well as the unintended consequences of welfare programs. This is done by classifying the substance of welfare programs, the welfare goods, into private-, public-, club-, and positional- goods. Then the various unintended consequences are shown to be related to different types of consumer-consumer or citizen-citizen interactions.

The conclusion is that before a welfare planner can say anything about which measures may be appropriate for a particular welfare program, the planner must analyze the substance of the program and the likely interactions among the relevant target populations.

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Introduction

The planning and implementation of public measures directed at improving the welfare of the citizens of a state are replete with problems, ranging from the fundamental question of the relationship between goals and results to the mundane of who pays what. Sieber (1981) observes that not only do the results of public intervention usually fall short of their goals, but also, and not infrequently, it appears they are having no effect at all, and in some instances even regressive effects. The carefully planned and executed project turns out to be counterproductive. Often this is "explained" by pointing to some unintended consequence(s) which "no one could have foreseen".

Unintended consequences are an integral part of purposive action. Often the justification for public intervention in the first place is that only through public measures can one overcome certain unwanted and (by the relevant actors) unintended consequences or bring about certain wanted and (by the relevant actors) unintended consequences¹.

Unintended consequences are of longstanding concern in planning. Their theoretical standing, however, is more dubious. During the last decades the work to establish a system for environmental impact assessment seems for example to be improving our ability to detect a group of unintended consequences one might label "side effects": consequences the innocent bystander will have to suffer whether it is the natural environment or a local community. But in welfare planning there is a target population for the services one is planning for. How does one handle side effects for the target population?

¹ For example: enforcing some rules of competition among vendors in a market may have the unintended consequence (for the vendors) of lowering the price the regular buyers have to pay. This result is of course wanted by the buyers in the market if not by the vendors.

The concept of “unintended consequence” includes more than side effects. It includes unintended consequences not only for the uninterested third part, but also unintended consequences for the target population of the public agent as well as unintended consequences the project initiator has to suffer. The present paper will argue that unintended consequence ought to be a central concept in planning theory. And it will in particular focus on unintended consequences for a target population. It will be argued that one insufficiently recognized source of difficulties for the provision of welfare lies in consumer-consumer (or rather citizen-citizen) interactions inherent in the process of providing welfare. To improve the performance of public policy measures, the planning of the various projects must take into account how the substance of the process involved shapes these interactions.

In order to bring both unintended consequences and substance into planning theory it is necessary to find a way of classifying the substance of welfare programs. This is done by focusing on externalities as a particularly interesting type of unintended consequence. Then a classification of goods is designed to distinguish various types of consumer-generated externalities.

The conclusion is that before a welfare planner can say anything about which measures may be appropriate for a particular project, the planner must analyze the substance of the project and the likely consumer interactions.

Unintended consequences and externalities

At least since Marx's suggestions that social systems before the communist system would contain the seeds of their own destruction², by way of Merton's (1936) article on "The unanticipated consequences of purposive social action." and until Giddens (1984) observations of how unintended consequences can contribute to the "social reproduction across long periods of time" (pp.9-14), the importance of unintended consequences and their role in societal development has been emphasized³. However, attempts to systematically investigate the various types of unintended consequences are conspicuously absent. Sieber (1981) points out that "Social scientists have shown a strange reluctance to integrate research, theory, and practice in the study of unanticipated consequences."(p. 52).

² See e.g. Marx (1867) "Capital" Vol. I, ch. 32 : "...capitalist production begets, with the inexorability of a law of Nature, its own negation"(p.763).

³ See e.g. Sieber (1981) on how unintended consequences are responsible for some of "The Ironies of Social Intervention" and Baert (1991) for a discussion of various types of unintended consequences.

In planning one needs to distinguish three levels in the determination of unintended consequences: the regulating agency, the actor initiating the purposive action and the person or persons experiencing the consequences. The regulating agency can affect the parameters of decision in a way that shapes the actions of the actor. The actor, following his or her interests incorporates in his decision the parameters set by the regulating agency, but will normally only be interested in the intended consequences. From the actor's point of view, side effects and other unintended effects are all unintended consequences.

The regulating agency, having the appropriate overview, will judge the unintended consequences of the activities of the actor by other criteria. Some are beneficial or at least not harmful for anyone, others are clearly harmful, either for the actor initiating the consequence or for other innocent bystanders or for both. The evaluation of various harms and benefits results in a judgment of the consequences as either wanted or unwanted. This may or may not be identical with what the receiver of the consequences experience as beneficial or harmful.

It might perhaps be possible to talk of "unintended" consequences of particular societal or institutional structures where no purposeful actor has initiated an action (dysfunctions of non-actor structures). But this is straining the concept. It seems more useful to reserve the concept for situations with an intentional actor. This leaves us with the following possibilities:

Consequences of action may be	receiver of consequences may be	regulating agency's view of consequences	receiver's view of consequence	actors view of consequence
intended	actor	wanted	wanted	wanted
no consequences	target population	indifferent	indifferent	indifferent
unintended	bystanders	unwanted	unwanted	unwanted

The regulating agency should not be so much concerned about the (un)intentionality of the action as by the consequences as judged either by themselves or by the receiver of the consequences. Some of the consequences may be wanted by the regulating agency, some will be unwanted, but for the majority the regulator will be indifferent.

There are various brands of welfare policy advocating stern measures to save people from the consequences of their own actions (e.g. restricting access to

alcohol and drugs). In this case, however, the focus is on the state as an actor with intentions for the welfare of a target population. Then the consequences for the actor can be left out. In the evaluation of public policy it is not obvious what the regulating agency should be. The political system aided by professionals might be seen as such an agency. What we want to investigate is thus unintended consequences for a target population and bystanders as judged from the political system's point of view. In a political process the judgment of the receiver of the consequence will weigh heavily, but not be the only relevant criterion for the regulator.

Consequences judged as either wanted or unwanted by either the target population or the bystanders are called externalities (see e.g. Baumol and Oates 1988 or Cornes and Sandler 1986). According to Mead (1973, referred by Cornes and Sandler 1986, p.29) "An external economy (diseconomy) is an event which confers an appreciable benefit (inflicts an appreciable damage) on some person or persons who were not fully consenting parties in reaching the decision or decisions which led directly or indirectly to the event in question.". Baumol and Oates (1988, p. 17) is more careful and will exclude consequences mediated by the price system: "An externality is present whenever some individual's (say A's) utility or production relationships include real (that is, non-monetary) variables, whose values are chosen by others (persons, corporations, governments) without particular attention to the effects on A's welfare."

The definition of externalities identifies them as a type of unintended consequence as seen from the point of view of the receiver of the consequence. It does not include the evaluation of the regulating agency in terms of wanted/ unwanted. Instead we get the evaluation of the receiver of the consequence in terms of positive externalities (beneficial) or negative externalities (harmful).

Even though politicians often feel they ought to protect people from the (unintended) consequences of their own actions, the primary focus of planning theory ought to be externalities: first of all protecting people from the harmful consequences of the actions of other people, then facilitating the enjoyment of positive externalities: letting people enjoy the beneficial consequences of the actions of other people. In the provision of welfare the regulating agency should be particularly concerned by the possibility of negative externalities. The regulator ought to make a special effort to protect people from the harmful consequences of public intervention.

Approaches to the regulation of externalities

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

Economists have mostly been concerned with externalities originating in the production or sales process and affecting either other producers or consumers⁴.

Some have studied how the consumption process may entail important externalities for example in the congestion of road systems or telephone systems (Bramness and Christiansen 1973). But the general impression from the available literature is that the externalities originating in consumption processes are both less studied and less paid attention to in the political processes concerned with designing regulations (Siegan 1979, Stigler (ed.) 1988).

Table 1 Various ways of handling externalities.

		GENERATOR OF EXTERNALITY	
		PRODUCER	CONSUMER
PRODUCER		*CONTRACTS	*MARKET MANAGEMENT
		*SETTING UP MARKETS	*PRODUCER PROTECTION
RECEIVER OF EXTERNALITY			
CONSUMER		*PRODUCTION REGULATIONS	*TRAFFIC RULES
		*CONSUMER PROTECTION	*CULTURAL CONVENTIONS

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

⁴ E.g. how smoke from the generation of electricity may affect a nearby laundry, or the sale of poorly tested drugs may affect public health (Baumol and Oates 1988). For advances in the theory of regulation see e.g. Siegan 1979 and Stigler (ed.) 1988. Much of the consumer/producer regulations are, however, concerned with minimizing transaction costs such as information and policing costs (e.g. standard contracts, minimum quality standards of products or compulsory insurance schemes for banks protecting both banks against default and the interests of the customers) rather than the internalization of externalities (a problem which also is formulated in terms of transaction costs).

Welfare goods

What is meant by "welfare good" is seldom spelled out precisely. It should, however, not be confused with collective⁵ or public goods⁶. Welfare goods are provided by a public agency to consumers (the public) free or at a cost below production cost⁷. The below cost requirement implies that the consumption of the welfare good will not have the same distribution as the distribution of income (which determines the distribution of consumption of goods supplied at full cost). The aim of providing a welfare good is usually to achieve a redistribution of goods⁸ to increase the total welfare of the society.

There are several traditions where the study of the distribution of welfare goods is important⁹. Comprehensive studies focusing particularly on welfare goods are more uncommon. The most relevant studies are either focused on a single welfare good¹⁰ or directed at the evaluation of the overall objective of more equality in the distribution of welfare (e.g. Korpi 1978, Ringen 1987). Even by economists the question of who gets which benefits with respect to welfare goods has not been addressed in the same way as the consumption of ordinary goods¹¹.

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

⁵ Mishan (1981) prefers collective goods as the designation of what usually are called public goods.

⁶ Since Samuelson's (1954) definition of a public good as a good where person A's consumption of the good do not interfere with person B's consumption, the public good concept has evolved, but the label, despite Mishan's (1981) effort, has stuck.

⁷ Huttman (1989,pp.1) defines "Welfare commodities" as "encompassing goods and services extended to consumers free of charge or at varying user fees and charges scaled below costs...". This definition presumes that the welfare good is a particular product somehow desired by the consumer and will thus exclude goods like pensions or aid in the form of cash. One may, however, think in terms of a generalized welfare good like "minimum standard of living" and look at the aid in cash as a public subsidy toward this good.

⁸ Measured for instance against what the distribution would have been with full cost provision.

⁹ During the early seventies quite some effort went into the establishment of social indicators and a system of social accounting. This established a tradition of publishing social surveys. Since 1974 The Central Bureau of Statistics of Norway has published 6 Social surveys. The last one in 1993 (SSB 1993). Another tradition is focused on the level of living surveys conducted regularly in several countries.

¹⁰ See e.g. Townsend and Davidson (eds.) 1982 and Whithead 1988 on health care services, Lundqvist 1986 on housing, Bloch 1974 on police services. Le Grand 1982 provides an assessment of studies of the distribution of public expenditure on health care, education, housing and transport. He notes "Unfortunately, there is no statistical evidence concerning the distributional impact of the personal services".

¹¹ At least this is the impression conveyed by Deaton and Muellbauer 1980 in their survey of consumer behavior.

goods, and the externalities must be tied to the “free or below cost” definition of welfare good.

Table 2 Types of goods available for the welfare state.

	Consumers are	
	- excludable	- non-excludable
- divisible (rivalry)	PRIVATE	POSITIONAL
Benefits are - indivisible (non-rivalry)	CLUB	PUBLIC

A Typology of Goods

The distinction between public and private goods (Cornes and Sandler 1986) defines categories of goods according to whether the consumers are excludable (person x can be excluded from the benefits) or non-excludable (person x cannot be excluded from the benefits) and whether there is rivalry or non-rivalry in the consumption of the good (benefits are divisible or indivisible¹²).

1. Private goods.

Private goods are excludable and have rivalry in consumption. These are the ordinary consumer goods which one can buy in a market.

2. Public goods.

Public goods are non-excludable and have non-rivalry in consumption. A typical example of a public good may be the protection given by NATO's fleet of Trident submarines with nuclear weapons¹³. The nature of the pure public good is such that if the good is produced at all, it will be available to all whether they pay for it or not. If NATO is able to protect one country, all countries will be protected. This is so because there is no way of, either theoretically or practically, excluding any person or province from the protection. The realization that this was the case for an important class of goods, and the concomitant free rider problem in collective action (Olson 1965), led to important theoretical developments for public policy (Cornes and Sandler 1986, Sandler 1992).

¹² Baumol and Oates (1988) call this distinction depletable or undepletable. But they are not quite consistent in their terminology. "An undepletable externality is thus one for which consumption by one individual does not reduce the consumption of anyone else." (note 15, p.19). The preference here for divisibility vs. indivisibility has its background in property rights theory and the possibility of assigning property rights to a good.

¹³ Some would perhaps rather call the nuclear weapons a public bad, but the logic of the argument is symmetrical to good or bad.

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

A public good (or bad) may

- 1) appear by itself as natural phenomena (e.g. a beautiful sunset or a violent storm), or it may
- 2) appear as a byproduct (unintended consequence or externality) from other social processes (e.g. solidarity or anomie), or it may
- 3) appear because everyone (or at least enough people) contributes voluntarily or by force (taxation) to its production¹⁴.

This definition of pure public goods also implies that they are not welfare goods as defined above. They are delivered to the citizen at their full price, collected by the general tax. Only if there is inequality in the consumption of a pure public good and only if this inequality is not a result of free choice by the consumer, can the good be called "a welfare good" (perhaps straining the term a bit) since then the consumer not being able to consume according to his or her preferences will have, through taxes, contributed a subsidy of the good consumed by all those being able to consume according to will.

3. Club goods.

Those goods which are neither pure public goods, nor pure private goods, are called impure public goods¹⁵. Goods which are excludable and at least partly non-rival in consumption have been called club goods (Cornes and Sandler 1986). Partly non-rival means that the initial situation is one of non-rivalry. It can be called a club good because of the nature of the exclusion mechanism. The exclusion mechanism is like a boundary. You can partake of the club goods once you are within the boundary. Once you are inside the boundary the good has the character of a pure public good. As long as the number of members in the club is below "the carrying capacity"¹⁶ of the club, the club good is available to all. But as the number

¹⁴ Sociologists have concentrated more on the problem of how public goods come to be provided than how they are consumed. For developments in the theory of collective action see e.g. Hardin 1982 or Marwell, Oliver and Prahl 1988.

¹⁵ An interesting type of public good, found both among both pure and impure, is the merit good. The basic characteristic of a merit good is that it reflects the preferences of an elite or ruling group and is imposed on (or prohibited from) individual consumers (Judge 1979, p.375).

¹⁶ The expression is deliberate and alludes to the ecological concept and its relation to crowding and the tragedy of the common.

of members increase, crowding will lead either to deteriorating quality of the good or competition for access to the good¹⁷.

The “atmosphere” in a restaurant may illustrate this, if there are too few people in the restaurant it feels empty, if it is close to full of the right kind of people the visit may give a tremendous experience. But without the thug at the door, you are threatened by crowding and unpleasant behavior of those not finding a place to sit.

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

4. Positional goods.

Goods with rivalry in benefits, and where the consumer is at least partly non-excludable, are not, like club goods, explicitly labeled by Cornes and Sandler (1986). One might perhaps call them “impure private goods”¹⁸. My choice of label, positional goods, is inspired by Hirsch (1976)¹⁹. Partial non-excludability means that the situation usually is considered to be one of excludability, but may under certain circumstances approach one of non-excludability. Non-excludability may, however, be more pervasive also for some aspects of what standard economic theory would call private goods than one commonly is led to believe.

At the outset the positional good, in a technical sense, is a pure private good. But during its consumption something happens to make it something else or something

¹⁷ A decreasing number of members may lead to analogue problems of thinning: there will be too few to share the cost of keeping up the quality of the services and eventually competition to exit before the market in memberships collapses completely (e.g. selling the house before the price goes down too far).

¹⁸ Taylor (1987), discussing the definition of public goods, observes: “divisibility does not entail excludability, although important examples of non-excludable, divisible goods are not easy to come by: economists have suggested such examples as a garden of flowers, whose nectar can be appropriated by individual bees but particular bees cannot be excluded from consumption.” (p. 6). The pure case of a non-excludable and divisible good may not be found to exist in itself, but then few important goods are purely one or the other of the types used here. Actual social contexts may impose the characteristic of non-excludability on any kind of divisible good.

¹⁹ Hirsch (1976) has no precise definition of a positional good. He says “The positional economy, ... , relates to all aspects of goods, services, work, positions, and other social relationships that are either (1) scarce in some absolute or socially imposed sense or (2) subject to congestion or crowding through more extensive use.” (p. 27). He finds for example that “traffic congestion can be seen as only a special case of the wider phenomenon of social congestion, which in turn is a major facet of social scarcity.” (pp.3). His conception of a positional good obviously contains both club and positional goods as defined above. The position taken here is that there is a major and consequential distinction between the scarcities of club goods and the scarcities of positional goods. Since the one type of good where the (dis)utility of spatial crowding is the main rationing method, has been called club goods, it seems convenient to put the label “positional good” on the other where the (dis)utility of waiting time in a queue is the main rationing method. These distinctions will be elaborated below.

more. It becomes a symbol in the status competition (see Veblen 1899, Fallers 1954, Bourdieu 1979).

Granovetter and Soong (1986) investigate consumer interactions in the consumption of private goods and identify a "forward bandwagon effect" if someone buys a product because others already have it, and a "reverse bandwagon effect" if someone stops buying because too many people have bought it. These are precisely the processes Hirsch (1976) associated with the positional economy. In their extreme form, where consumption of the good only or primarily serves to promote status, we find the processes represented in the potlatch ceremony of some primitive peoples as well as the phenomena in modern society Veblen (1899) describes as "conspicuous waste" and "conspicuous consumption".

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

During the consumption process the good goes through some kind of symbolic transformation. The pure private good is transformed to a symbol and imbued with a meaning shared by all relevant actors.

Bourdieu (1979) explores precisely this process of consumption in his study of how the cultural production of art meets, through the "acquisition" of objects of art, the cultural production of taste to produce a system of power relations where the distinctions of taste are used to elaborate and preserve class differences: "Taste classifies, and it classifies the classifier. Social subjects, classified by their classifications, distinguish themselves by the distinctions they make." (p.6) The precise qualities of an object of art become manifest only through its consumption. The context of consumption is reflected both in the positioning of the consumer and in the positioning of the non-consumers.

A simpler example of the same process is the choice of locality for housing in a city. The relative attractiveness of various locations is translated into prices which then clears the queues for the various locations. Those willing and able to pay the most get the most attractive locations. Those with the least ability to pay get the least attractive locations. A housing lot has a position in the overall positional economy. No one can opt out of this. Similarly the latest fashion in for example

clothing (or cars or ideas or...) divides the total population into those adopting early and those adopting late - or never.

If carrying capacity is the key concept of clubs, queues or waiting times are the key to positional goods (and bads). A visible queue is also a signal to other potential consumers that here is something of value. Some people will join a queue just because of that (the forward bandwagon). Others will start leaving the queue if they see it is getting too long (the reverse bandwagon). In the market, however, queues are not visible, they are translated into prices. The bandwagon effects are mediated through the creation of fads and fashions. But there are also more complicated processes going on.

An unexpected high price is not only a signal that some think this is an item of exceptional good value, it may also say that this item is scarce. Some people will buy because of the high price. They get a positive utility from paying a high price (or being first in the queue). Others will decide not to buy because of the high price. They are not interested in distinguishing themselves in that way. On the other hand if an unexpected low price is found, some people will decide not to buy because of the low price. They get a negative utility from paying a low price (or coming late in the queue). To some people it is more important to be "avantgarde" than to be economically efficient. To other people it is more important to avoid appearing "cheap".

Thus ordinary private goods are translated into positional goods. Not acquiring the good is as significant as acquiring it. Each person gets a status according to the system of signs developed around positional goods of this type.

It should be emphasized that the four types of goods are analytical categories. Most real world goods are joint products where aspects of more than one type of good may be found.

The nature of welfare goods is politically determined.

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

distinguished between pure public goods, club goods and positional goods. Thus they have tended to see welfare goods as some kind of impure public good.

The approach here is different. Welfare goods may - at the outset - be of any type except the pure public good. Usually there is nothing inherent in the welfare product itself which determines whether it is a private, a club or a positional good.

In most cases the answer to the question of what type a welfare good shall belong to, is socially and politically determined. It will rarely be a question of technology or inherent qualities. It may even be transformed into a pure public good and thus leave the group of welfare goods. If primary school by law is provided to everyone, and everyone can be forced to attend, and the schools can accommodate all pupils free of charge, then the school system is just as purely public as the military protection given by a nuclear strike force. Places for everyone secure non-rivalry in consumption and the law making schooling compulsory secures non-excludability. Or so it is supposed to be. The aim of the welfare state was to provide a series of basic services in the form of pure public goods.

However, the increasing problems, within all welfare states, of providing both enough of the promised goods and of achieving an equitable distribution²⁰ of that which is provided, suggests that there may be some unrecognized problems inherent in the whole undertaking. Since a welfare good may be of any type as discussed above, it would seem reasonable to suppose that the problems might originate in unrecognized differences in the consumption processes and their feedbacks to the various types of products.

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

Consumer generated externalities and welfare goods.

The act of consumption can usefully be divided into the act of acquisition and the act of appropriation See table 2. By acquisition is meant the act of gaining access to a potential good. By appropriation is meant the act of deriving utility or pleasure from it. The analytical distinction is useful since the consumption process, and

²⁰ Nichols, Smolensky, and Tideman (1971) finds that providing several queues differing only in the combinations of waiting time / user fees required by the consumers, may lead to substantial efficiency gains. But they also observe: "Our proposal may produce serious equity problems that cannot be overcome." "If equity means the same treatment for all persons, it may not be possible to improve social welfare by increasing the number of money-time pairings. If, however, unequal treatment of unequals is equitable, which seems much more reasonable, then there are unexploited possibilities for improving social welfare." (p. 322).

hence the nature of the externalities generated, is affected by the possibility of separating the two processes. For the general case of the non-excludable good, the two parts of the consumption process cannot be separated. If one could, there would exist a way of excluding the consumer from experiencing the utility of appropriation. In a similar way it may be argued that for indivisible goods, the production process cannot be separated from the acquisition of the good. There are thus four ways the production-consumption process can be organized.

This has implications for the nature of the externalities generated. We shall look into how this interacts with the fact that welfare goods are subsidized in some way.

Table 3 Interrelations of processes involved in the production and consumption of welfare goods

“/” mean PROCESSES ARE SEPARABLE

“=” mean PROCESSES ARE INSEPARABLE

TYPE OF GOOD:	THE PRODUCTION-CONSUMPTION PROCESSES:
PRIVATE (Excludable, divisible)	PRODUCTION/ACQUISITION*/APPROPRIATION**
POSITIONAL (Nonexcludable, divisible)	PRODUCTION/ACQUISITION=APPROPRIATION
CLUB (Excludable, indivisible)	PRODUCTION=ACQUISITION/APPROPRIATION
PUBLIC (Nonexcludable, indivisible)	PRODUCTION=ACQUISITION=APPROPRIATION

*The term acquisition is used for the process of gaining legal title to some good.

**Appropriation is used for the process of making the good a personal possession, a part of the owner's total portfolio of valued possessions. The distinction is useful since some "objects" are destroyed in the process of appropriation others are not.

1. Private welfare goods.

Normally the utility which one person derives from the consumption of one unit of a private good will not be affected by whether another person consumes a unit or not²¹. Since private welfare goods are either free or subsidized there will be a budget constraint on the number of units available at the subsidized price. The

²¹ There may, however, in some circumstances be concern about the distribution of consumption with implications for utility.

effective demand for the subsidized good may then exceed the available supply and the question of how to distribute the goods arises. If nothing is done, the first customer may buy the whole production and sell it at a higher price, pocketing all or at least some of the subsidy.

The usual solution is to ration the quantity one consumer can acquire. A bureaucracy is needed to determine how much each can get and to keep track of how much each has acquired. The cost of such a bureaucracy should then be compared to the increased income the consumers would have had without the bureaucracy and the subsidy. Maybe the increased tax going to the bureaucracy outweighs the value of the subsidy. But even if this may be the case, distributional consequences may be such that one prefers the bureaucracy and the subsidy. One could also consider increasing the supply of subsidized goods for an amount equal to the price of the bureaucracy. The reason for making a private good into welfare goods is of course the concern for the distribution of it. Consumer initiated externalities among consumers will in this case arise if no bureaucracy exists or if it does not work properly. The social cost (or disutility) tied to consumption of the welfare good²² then depends on the cost of the bureaucracy compared with the distribution achieved.

2. Positional welfare goods.

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

²² However, the consumption of private goods (non-welfare as well as welfare) also generates refuse. This private cost of consumption is easily turned into a collective bad if the private cost is minimized by throwing it out onto the street or over the fence to the neighbor. This problem has found its solution in the provision of various (more or less) compulsory club goods like sewers, garbage collection, and restrictions on the use of fire. Not everywhere are these clubs goods welfare goods.

Since it is not possible to distinguish between acquisition and appropriation, the consumers cannot "resell" any excess service they may get. Rationing of quantity like it was discussed for private goods, is thus unnecessary. It is the amount of time spent by the service workers which needs rationing. For most services competition for the time available will represent a pressure in the direction of a lower service quality as for example measured by the time and/or attention spent on each consumer. Professional standards and institutional barriers try to counteract the pressure towards lower quality. The rationing therefore typically takes the form of a queue of consumers. In this queue the consumption of one person affects the timing of the consumption of other, not yet serviced, consumers rather than the amount of service available per consumer. On the other hand, too few customers may also affect the quality of the service. If the quality of the service depends on practice, a minimum number and continuous supply of customers will be needed to keep up the quality of the service.

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

3. Club welfare goods.

Club welfare goods are indivisible and excludable. Typically the club welfare good is tied to the use of a geographically bounded installation or a bounded resource²³. In any bounded installation containing a good, there is an upper limit to the number of consumers which can appropriate the good at any one moment in time. The exact number does not have to be definite. As the number of consumers increase, each consumer will experience crowding. On the highway this has the consequence that average traveling speed goes down. In the telephone system the consequence is that the waiting time to get through increases.

Typical for the externalities of club goods is that the last consumer to actively try to appropriate the good not only incurs a cost for himself, but he also increases the cost for those already appropriating it. This is different from the positional good in that those joining a queue do not affect the cost for those already in the queue. On

²³ Like the wilderness quality of an area or the electromagnetic spectrum available for broadcasting. For the electromagnetic spectrum, however, technological developments seem to have overcome the problem of limited divisibility by increasing the sensitivity of both senders and receivers.

the other end of the use scale, a club usually needs a certain minimum number of members. As the number of members decrease, thinning may lead both to a declining quality of the service (if for example sociability is an important part of the product) and to the closure of the club (if the fixed cost of the installation makes the membership fee or entrance fee too high relative to the good appropriated). In peripheral areas where the number of people go down, the decision of some households to move out of the area may, for example, lead to the closure of the local school, and hence to a welfare loss for the households remaining ²⁴.

The consumer generated externalities of club welfare goods are experienced in real time and depend not only on the number of consumers but also on how close this number is to the carrying capacity of the club (one may think of this as a kind of threshold or switch). Once the effect of crowding becomes noticeable, the total social cost will increase exponentially with increasing number of consumers (Baumol and Oates 1988, p.90).

4. Public welfare goods.

For the pure public good there can be no consumer generated externality affecting other consumers since one person's consumption of it cannot interfere with another person's consumption (see note 6). But for a welfare good intended as a public good this is not necessarily true. A welfare good can be made a public welfare good by a political decision, like primary schooling or hospital services or roads. If a welfare good is available to all and in such quantities that there is no rivalry in the consumption of it, then it truly is a public good. However, modern welfare states have increasingly run into trouble fulfilling these requirements. There are queues to gain access to a hospital and there are times when traffic congestion mocks the idea of transport.

The road system is supposed to be a public good. But as the number of cars who use the system increases, crowding leads to slowdown in traffic (deteriorating quality of the product) and dangerous driving (competition). Since consumers are excludable from the road system, and since there is rivalry in consumption, it is "in

²⁴ It would seem that the effort to found a new urban sociology on the concept of collective consumption might find some justification in the existence of consumer generated unintended consequences associated with the consumption of the various club goods and bads found in "a relatively large, dense and permanent settlement of socially heterogeneous individuals." (as Wirth (1938, p.8) defined the city). The "club" character of urban areas and the "club" character of many of the goods which make urban areas attractive to people, should be taken to qualify the assertion of Saunders (1986, p. 288) that "It is time, in short, to develop a non-spatial urban sociology which, while recognizing the empirical significance of spatial arrangements, does not seek to elevate these arrangements to the status of a distinct theoretical object." (See also Otnes 1986).

reality” a club where title to a car (and sometimes willingness to pay the road-toll) can be compared to a membership card. The decision to make it a public good runs into problems because it does not recognize the true “nature”, the club character, of the good.

Education is another example of a welfare good treated as a pure public good. But education is a composite product. Primary school, for example, is intended as a pure public good. But it has aspects of both club goods and positional goods. A first observation may be to distinguish between education as consumption and education as investment. To the extent that education is an investment in human capital, the amount and quality of the education each pupil receives will determine a ranking of those who have received the public welfare goods. This ranking is based on perceived differentials in quantity and quality of the education received from different establishments and will lead to differentials in demand for the education of these establishments. If rivalry develops in the consumption of the education offered by some schools, it will be impossible to keep the school system a pure public good. This can be seen to derive from the investment side of the education and may be inherent in any good which may be imbued with qualities able to distinguish the “owner” of the good from any “non-owner”. This is the positional aspect of education. But other aspects of it may resemble a club good. Taking for example the number of persons with a given education, e.g. a medical education, one will easily see that there has to be a certain minimum number for the group to be a significant actor in the division of labor and the determination of the share of income going to the group. But, equally, the group cannot get too big, then the income of each member of the group will start to fall or the inequalities within the group may become a problem, for example by affecting the status (a positional good) of the education.

Implications for planning theory

Cornes and Sandler (1986, ch. 3) point out that "an externality arises when the private economy lacks incentives to set up a potential market in some commodity and when the nonexistence of this market results in a Pareto-suboptimal allocation." (p. 46). They investigate this in particular for public goods, impure public goods and club goods.

For welfare goods of the club type or the positional type there are no markets by definition. Whether there also is a Pareto-suboptimal allocation of these goods or not, is, I suppose, an empirical question. It is not an obvious conclusion that it has to be so, but the tendency for development of such a situation may be strong. But

regardless of Pareto-optimality or not, one may say that a regulating agency ought to seek to maximize the positive externalities and minimize the negative externalities inherent in the activities of people.

From the discussion above it follows that the consumer generated social costs of different types of welfare goods can be ranked in severity from high to low like this:

Club goods > Positional goods > Private goods

If one assumes that the consumption of all the various types of welfare goods lies approximately at the production capacity, it would be reasonable to expect that marginal increases in the demand for a club good will cause a far larger public attention than an equivalent marginal increase in the demand for a positional good which again will take precedence over increased demand for private goods. This simply follows from the far larger increase in total social cost an increased demand for a club good generates.

As long as the welfare goods are defined as pure public goods, documentation of increased demand should ideally lead to an expansion of the production. But since the various welfare goods are of different types with marked differences in social costs of overuse, a democratic system should be expected to react differentially to increased demand for different types of goods.

The attention devoted to traffic congestion and the fairly rapid interventions in form of expansion of the road system compared to the attention and resources devoted to ameliorating the hospital queues, certainly seems to follow such a pattern.

But what happens when no new resources are available for expanding the production of welfare services? Are there differences in the way we ought to try to ration them? Any particular welfare good may be a joint compound of qualities some of which shows the characteristics of a club good, others appearing as positional goods, yet others as private goods. The discussion so far has established that the size of consumer generated externalities, "the social costs", of the process of consuming the various welfare goods depends on the type of good consumed. Sometimes the externality of a composite good may be tied to one particular aspect of it. Then the way to ameliorate the problem will be to treat the good as being of this particular type. If a public good like hospital services run into problems with queues, this suggests that it should be treated as a non-excludable good with rivalry in consumption, rather than a public good. And the effort at

regulation should be directed at managing the rivalry in the consumption rather than making the good excludable as seems to be a favored reaction (making it a pure private good).

Planning theory needs substance.

When people contemplate their future course of action, they engage in planning. They have to weigh their priorities and available resources against the likelihood of particular outcomes. The more they know about the connection between means and ends, the better the results of their planning will be.

Studies of social planning²⁵ seem to define it to be something like individual planning writ large²⁶. The utility of this analogy is questionable. Firstly the procedures determining priorities, making resources available and judging outcomes are very different for the two types of planning. But even more important, the technical problems, the problems which have nothing to do with setting of priorities or evaluation of outcomes, are very different and without equivalents for individual planning.

Defining and thinking of planning at the societal level in analogy to individual planning is possible only because of the distinction between theory of planning and theory in planning and insisting that the theory of planning is the theory planners should be concerned about (Faludi 1973a, p. 5). This leads of course to an "empty" theory of planning. It is formulated in abstract and content free categories. Camhis (1979, p.3) observes: "What is characteristic of all the current definitions of planning is that the words "objectives", "actions", "goals", "thought", "decision", and so on are without content. The words do not refer to any particular "objective", "action", etc. At the same time they acquire a substance that they do not possess, a substance of their own. In this way they become objects about which theories can be built."

²⁵ The term social planning is here used to denote all planning activities affecting the welfare of at least one member of a population undertaken by a system responsible actor whether its responsibility is the central or the local state. This is roughly the same as the definition used by Walker (1984): "The definition of social planning derives from that of social policy: it is the process of developing, implementing and evaluating social policies. Social policies are those that determine the distribution of resources, status and power between different groups. Social planning, like social policy, is concerned with the distribution of welfare." (p. 3).

²⁶ Hall (1975, p.6) says "Planning as a general activity is the making of an orderly sequence of action that will lead to the achievement of a stated goal or goals". Faludi (1973b, p.1) says "Planning is the application of scientific method - however crude - to policy-making. What this means is that conscious efforts are made to increase the validity of policies in terms of the present and anticipated future of the environment."

Walker (1984) may perhaps be on the verge of abandoning this empty theory of planning in his advocacy of structural social planning as an alternative to incrementalism and rational-comprehensive planning. His alternative, however, seems to be just another “content free” procedure. But, interestingly, it seems that the reason for insisting on a different procedure is found in his choice of a different goal for social planning. If the planning shall have needs as its goal, it must be democratic and it must be comprehensive (pp.188-195). The ends one can reach depend on the means one uses.

The present article has argued that planning must be adapted to the particular type of need one is setting up as goal. The production and consumption of various types of goods which is intended to satisfy a particular need, leads to different types of problems according to which type of good is involved. Thus social planning must, both in its procedures and in its proposed course of action, take account of the nature of the problems generated by the distribution of the particular good. Substance must be brought back into planning theory. And planning may even begin to increase its ambition from achieving Pareto optimality to maximization of net positive externalities.

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