

small-number situation in relation to public goods supply, with own-contribution highly significant in relation to the total. Thus, even though households remain in an effective large-number framework, substantial amounts of public good may be provided voluntarily through the action and interaction of large economic units (37). For the virtually complete failure of the voluntaristic system envisaged by Wicksell, large numbers must therefore be understood to imply that no economic unit should be so large that own-contribution becomes significant or perceptible in relation to the total (38).

2.3 *Political Provision for Public Goods.*

We have now shown that, in general, neither a conventional market regime of perfect competition or monopoly, nor a generalised market regime of voluntary agreements, can be expected to approximate Pareto-optimal provision for public goods.

In the final stage of the analysis, it is recognised explicitly that the demonstration of market failure in public goods is not sufficient in itself to justify public expenditure on public goods. Where the market fails, there is no guarantee that government can do better (39).

2.3.1 *The Consensus Ideal.*

As Wicksell had so clearly seen, the central problem is to secure through the political mechanism the effective consultation and interaction on public goods supply which, as we have shown, must in

(37) It should be noted, of course, that few if any of these larger private economic units are themselves likely to be organised on anything like a fully voluntaristic basis.

(38) In a more general setting this point has been clearly recognised by BAUMOL, *op. cit.*; and OLSON, *op. cit.* It is easy to see that small-number elements are likely to become increasingly important as we move further and further away from the paradigm case of full and equal consumption represented by the pure public good.

(39) This fundamental problem is very clearly recognised in the standard modern expositions of the theory by Samuelson and Musgrave. See especially SAMUELSON, *op. cit.* (1954), pp. 388-89. Musgrave devotes a full chapter to the problems of the political mechanism, though he appears to miss some of the central issues. See *op. cit.* (1959), Ch. 6. The problem was also recognised in principle by the public goods pioneers, Sax, De Viti De Marco and Mazzola, all of whom were, however, inclined to take rather too sanguine a view of the performance of the democratic political mechanism. In the public goods literature, serious analysis of this problem began only with Wicksell. The central contributions to date are surveyed in rather more detail in my paper «The Welfare Foundations of Public Finance Theory», *Rivista di diritto finanziario e scienza delle finanze*, September 1965, pp. 409-26.