

Explaining the Australian Local Government Infrastructure Expenditure Backlog: A Market Failure Approach

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Abstract

Most local government systems across the developed world exhibit significant local infrastructure backlogs and Australian local government is no exception. While most of the scholarly literature has focused on ameliorating the problem, comparatively little effort has been expended on explaining the emergence of the local infrastructure backlogs. This paper addresses this question by employing a market failure theoretical framework to better understand gaps occurring in local government infrastructure both in Australia and elsewhere. We show how these gaps indicate local authorities are discounting infrastructure investment at higher rates than for local services.

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