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Contrast between Welfare Conditions for Joint Supply and for Public Goods

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The Review of Economics and Statistics

Vol. 51, No. 1 (Feb., 1969), pp. 26-30

(5 pages)

Published By: The MIT Press



<https://doi.org/10.2307/1926944>

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CONTRAST B FOR JOINT SU

1. THE theory of public goods is sometimes confused with the theory of joint supply. This is in the nature of a play on words: for, as I have said elsewhere, as we increase the number of sheep on both sides of the market in the case of cotton and wool, we converge in the limit to the conditions of perfect competition. When we increase the number of sheep in the case of a typical public good, the problem is *more indeterminate* rather than more determinate.

To elucidate the difference, I will consider what appears to be a minor gap in the literature, namely a needed statement of the modern welfare economics of joint supply under optimality conditions as they appear in the case of joint products. The analysis will be carried forward; and after it is before you, you will clearly see the difference between the theory of well-known optimality conditions for joint products and the theory of public goods.

2. I begin with an examination of the theory given recently at the Massachusetts Institute of Technology:

"Corn is produced by land and labor, and so are wool-bearing mutton-bearing sheep. I assume the totals of available land and labor to be fixed. Write down the various optimality conditions in the case where it happens always to consume wool and corn in the same proportions that sheep and corn products. And then, by contrast, write down the conditions that would have to obtain if the

* Aid from the National Science Foundation is gratefully acknowledged.

¹ My *Review of Economics and Statistics* for the subject of 1954, 1955, 1958 are reproduced in *Collected Scientific Papers* (Cambridge: Cambridge University Press, 1966, J. E. Stiglitz, editor), vol. 1, pp. 194-204. See also R. A. Musgrave, *The Theory of Public Goods* (New York: McGraw-Hill, 1959); L. H. White, *Economics* (Chicago: Rand McNally, 1958), pp. 194-204. University of North Carolina Press, 1958, pp. 194-204, where the typical joint-supply interpretation of the theory is given in the form, "With public or collective goods; the essential characteristic." I make use of this as yet unpublished 1966 Biarritz paper in the National Economic Association conference paper.

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