

To clarify how Table 4.2 should be read, an example may be helpful. Take, e.g., the public good «security» and in particular the provision of «police» as part of this public good. Reiter and Weichenrieder (1997) find that the public good «police» does not exhibit economies of scale and can therefore be classified as a local public good. Hence, costs of providing police in a VSC should generally not be lower or higher than in any other public organizational form (federalism, centralism, etc.). Note that the benchmark case is the production and provision of a public good in a considerably large country (any federal structure is ignored for the moment). We also neglect possible congestion and coordination costs. Therefore, a «0» appears in the column «ES» for police.

Preference adequacy is considered to be generally high in a VSC due to the short «distance» between the provision unit and the «consumers» of the public good. For police we rate PA as high and a «+» appears in the according field.⁷⁸

The term «implausible» means that the relevant organizational unit is, generally, not appropriate to provide the public good in question. As for police, it is indeed difficult to imagine a foreign public agency providing police in another country in peacetime. Basically, it would be possible, but to our knowledge, such a general arrangement is very rare. Nevertheless, it seems possible, e.g., for adjacent countries to take responsibilities for specialized security objectives in other (generally, smaller) countries. Think of customs authorities (e.g., Switzerland for Liechtenstein) or the NATO mission in Macedonia, to name but only two.

Other public goods in Table 4.2 are assessed analogously to the police example. There are apparent differences between non-rival and local public goods. This can easily be seen for the more or less pure public good «defense», where the picture that emerges differs entirely from the one of the good «police».

Note that our estimations are arbitrary in the sense that one could argue that other rationales might yield slightly adjusted results. It is, of course, open to discussion whether, e.g., «general administration» in VSC is expected to have relatively «high» costs (as in Table 4.2) or «very

⁷⁸ Note that «+» and «++» for economies of scale mean higher costs than in the benchmark case, which is a disadvantage. Conversely, «+» and «++» stand for higher preference adequacy, which is a clear advantage from an economic viewpoint.