

high» costs. Nevertheless, for the purpose at hand it suffices to establish an overall picture of the two provision arrangements to get a framework for the empirical analysis in Section 4.3. Some details in Table 4.2 could also be adjusted slightly without altering the central results.

FPUBL reflects the organizational form of «international outsourcing», which seems to be of great importance for VSC. In an FPUBL organization public goods are normally provided by a public agency of an adjacent country. Basically, not only adjacent countries can be the partners in international outsourcing, but also regional or global organizations and sometimes non-adjacent countries.⁷⁹

In comparison to «traditional» outsourcing, international outsourcing exhibits some peculiarities and special features worth analyzing. Since international outsourcing is of vital interest for VSC, it can be best studied in this environment. We will therefore take a closer look at the possibilities and constraints of international outsourcing in the empirical examination in Section 4.3. Moreover, we especially want to analyze the extent to which international outsourcing actually plays a role in VSC as an organizational choice of producing and providing public goods.

4.2.3 Theoretical predictions for the organizational choice

Based on the results of Table 4.2, we take a closer look at those public goods which are associated with especially high costs and economies of scale, because they pose serious financial problems for VSC when they are produced and provided in-house. Table 4.3 presents a list of these «critical» public goods, which have been assigned the label «very high» and «high» costs in Table 4.2.

Note that international outsourcing is not possible for all the public goods in Table 4.3, but assuming that the outsourcing option is feasible, costs for providing a certain good are almost always lower than with in-house production in the VSC.

Note that the VSC still has to bear some costs when the production of a public good is sourced out to another country or to a regional or interna-

⁷⁹ Naturally, the global or regional provision of public goods can, in most cases, only complement nationally provided public goods. A full substitution is very difficult to imagine for some of the public goods in Table 4.2.